HOLLAND COLLEGE
AUDIT REPORT
DECEMBER 1999

AUDITOR GENERAL

PROVINCE OF PRINCE EDWARD ISLAND

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103-04807/

HOLLAND COLLEGE

AUDIT REPORT

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The Honourable Speaker and
Members of the Legislative Assembly
of the Province of Prince Edward Island

As directed by the Legislative Assembly, I have conducted a value-for-money audit of Holland College. I am pleased to present my audit report to the Members of the Legislative Assembly.

Respectively submitted,

J. Wayne Murphy, FCA
Auditor General

Charlottetown
Prince Edward Island
December 22, 1999

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OVERALL COMMENTS

A value-for-money audit was carried out at Holland College at the request of the Legislative Assembly. The College has annual expenditures of almost $30 million and is funded from a combination of government grants, student tuition, contract revenue, and other third party sources.

Significant change and expansion has taken place in recent years. The College has been organized into four main program areas. These are: the Program Operations Division; the Atlantic Tourism and Hospitality Institute (ATHI); the Justice Institute; and the PEI Institute of Adult and Community Education (IACE). Organizational and administrative changes were implemented to accommodate this structure including the establishment of the Human and Corporate Services Division and the Enterprise Development Division.

Coping with the effects of these changes while at the same time providing its regular programs has been a major challenge to the organization's management and staff. Most notably the College had to modernize and adapt its budgetary and financial reporting system to the new realities of its operations. The implementation of the new financial reporting system posed a number of challenges for management and some problems are still being worked on. Change of this magnitude does not occur smoothly and our report covers a number of issues that the College is addressing.

On the positive side, the College is servicing a larger number of students who are having a high rate of success in obtaining employment. Good progress has been made in developing the basis for an accountability reporting framework which will provide the College, the Government, and the Legislative Assembly with performance information on the College's progress in meeting its objectives and goals. Also, the College has succeeded in obtaining certification by the International Organization for Standardization (ISO) regarding the quality of its procedures and processes for developing and implementing its programs.

The most significant current challenge is the College's financial position. At March 31, 1999 it had an accumulated operating deficit of $3.2 million and long-term debt of $3.3 million. We emphasize in our report the need for the College and government to come to grips with this problem. This issue cannot be adequately addressed until a long-term plan outlining the direction of the College is agreed to by the Province and the Board of Governors. When this is determined a long-term financial plan will be required to deal with the current deficit and the future expectations for the College to deliver programs to students at a reasonable tuition rate.

This report makes observations and recommendations on a wide range of subjects including governance, accountability, College programs, the Registrar's Office, facilities management and a number of other administrative support functions.

INTRODUCTION

Audit Mandate

In December 1997 the Legislative Assembly, through unanimous adoption of a resolution of the Public Accounts Committee, directed the Auditor General to conduct a value-for-money audit of Holland College. The resolution also required an audit of the University of Prince Edward Island which was completed last year. Due to the sizeable time commitments of these audits and limited office resources, the audit of Holland College was deferred until 1999.

Section 13 of the Audit Act provides the authority for these special audits and examinations. Value-for-money audits assess the adequacy of management systems, controls and practices in place to ensure due regard to economy, efficiency and effectiveness.

There is no standard report in current value-for-money auditing practice that is analogous to the auditor's standard report on financial statements. Normally value-for-money audit reports are in the form of direct reporting, where audit criteria are developed as a basis for evaluating management practices and developing audit observations and conclusions. This is the approach we used in our value-for-money audit of Holland College.

It is important that the expectations from these types of audits be put in perspective. Our objective was to determine if the management practices were adequate and contributed to the economy, efficiency and effectiveness of College operations. It is not within the scope of a value-for-money audit to determine the College's economic and social impact on the Province. Our audit scope was based on the Holland College Act and the governance and management practices that were developed to fulfil its mandate.

Background

Holland College was established by an Act of the Legislature in 1969. It has grown from a small community college to an organization with annual expenditures approaching $30 million offering more than 65 programs in a number of centres throughout the Island. When we started our audit a number of important initiatives were underway at the College.

In 1997 the College undertook a process to obtain ISO 9000 certification. The process involved developing, updating, revising and reaffirming policies and procedures which impact many aspects of the College. The initial ISO certification was received in April 1999 and at the time of our audit the College was still in the process of implementing these procedures, as well as developing new procedures as required.

When we started our audit, the College was in the process of implementing a new financial information system, a process that started in early 1998. The College dedicated significant time and resources to this new system and it is expected to be fully operational this year.

The College has been incurring deficits in the past few years and a funding proposal has been prepared by the College for consideration by government. The College has undergone significant change and expansion in recent years and it is an opportune time for setting some long term strategic direction and funding plans for the College.

Audit Scope

Complete coverage of all programs and operations at the College would not be possible nor practical. Our audit covered a number of broad College-wide issues such as governance and accountability as well as a number of programs and activities based on their materiality in terms of expenditures and affect on the students and the general public.

Our audit was performed in accordance with auditing standards of the Canadian Institute of Chartered Accountants and accordingly included such tests and other procedures as we considered necessary in the circumstances. The audit criteria used as the basis of our assessment were agreed to by the College. We used outside expertise to assist us in auditing some aspects of the academic/vocational programs and the information technology systems at the College.

Acknowledgements

The majority of the audit work was completed by staff of my office and I acknowledge their dedicated efforts and professionalism. I would also like to express my appreciation to the management and staff of the College for their courtesy and cooperation. I hope that this report provides some constructive and useful information for the College and the Members of the Legislative Assembly.

1. GOVERNANCE

Introduction

1.1 The Holland College Act establishes the College as a separately incorporated entity. It defines the object of the College:

> *To provide a broad range of educational opportunity particularly in the fields of applied arts and technology, vocational training and adult education.*

The Act establishes the governance structure and identifies the governing body to be known as the Board of Governors of Holland College. The broad powers and responsibilities of the Board are established by this legislation.

1.2 The management and control of the College including property, revenues, expenditures, business and affairs of the College are vested in the Board. The Board has the authority to make bylaws and regulations for the conduct of its affairs. It has the power to appoint the President, appoint the heads of all divisions, faculty and other employees, set salary levels, appoint committees, establish advisory bodies, and expropriate property under certain conditions.

1.3 Unlike the University of Prince Edward Island, which has a separate governing body to deal with educational matters, the Board of Holland College is also responsible for the educational policies of the College. It has the power to set admission standards, courses of study, and award scholarships, bursaries and prizes.

1.4 We reviewed the governance structure and process at Holland College. We reviewed the minutes of the meetings of the Board of Governors, Finance Committee, and Programs Committee, as well as the Management Executive and Management Operations Committees. We interviewed the Chairman of the Board of Governors, the President and senior management and reviewed Board policies and regulations. In addition, we sent a detailed questionnaire on governance and accountability issues to each member of the Board of Governors.

Board of Governors

1.5 The Board of Governors consists of 16 members, 10 of which are appointed by the Lieutenant Governor-in-Council. The Act provides for membership as follows:

- the President of Holland College
- the President of the University of Prince Edward Island
- two members elected from and by the faculty
- two members elected from and by the student body

- three representatives from business and industry appointed by the Lieutenant Governor-in-Council
- three representatives below the rank of Deputy Minister from departments or agencies of government or teachers employed by a regional school board and appointed by the Lieutenant Governor-in-Council
- four members appointed by the Lieutenant Governor-in-Council selected from a list of nominees provided by the other members of the Board.

1.6 We noted that a majority of the Board members are appointed by the Lieutenant Governor-in-Council. We requested information from Executive Council Office on the policy and practice associated with these appointments. We were advised that the request to Executive Council is submitted by the Department of Education and potential candidates are included for consideration. Executive Council has the option to generate additional names at its discretion. However, there are no criteria or guidelines on desirable qualifications or attributes for potential Board members.

1.7 It is important for the Board to have a broad representation and a balance of financial, academic, legal, social and economic expertise to draw on in the consideration and formulation of budgetary and policy decisions. We noted the Act requires business and industry representatives as well as government and academic. We did not evaluate the background, experience or education of the Board membership, however, several respondents to the Board questionnaire indicated concern as to the mix of skills and abilities at the Board table. This, in combination with turnover of members, can impact the effectiveness of the Board. The appointed members can fill important voids in expertise and the needs of the Board should be identified and communicated when these appointments are made. We recognize that four of the ten government appointments are selected from nominees submitted by the Board members, so this does provide some opportunity for the Board to provide input and identify qualifications that are needed when a vacancy is being filled. However, in our opinion, a more structured approach is needed for all appointments. Appointments should be made based on criteria or desirable qualifications for Board members, taking into consideration the needs of the Board at the time and in consultation with the Board Chair.

1.8 A Board policy is in place relating to the duties and obligations of Board members. It sets out the expectation that each Board member will "act honestly in good faith and will exercise care, diligence, and

skill that a reasonable prudent person would bring to the task." The policy places responsibility on Board members to maintain the trust and confidence by avoiding conflicts of interest between the private interests of the individual and their responsibilities to the College. The Board has gone further to develop a conflict of interest policy which requires an annual declaration regarding conflict of interest from each Board member.

Recommendation

1.9 The process for determining appointments to the Board by the Lieutenant Governor-in-Council should be improved. Guidelines on desirable qualifications and attributes of prospective Board members should be developed by the College and input from the Board Chair should be provided when filling all vacancies.

Committee Structure

1.10 There are three standing committees of the Board of Governors: Finance, Programs and Executive. Each of these committees has terms of reference established through Board regulations. These committees provide support to the Board of Governors in carrying out its responsibilities under the Act.

1.11 Board regulations state that the Finance Committee will make recommendations to the Board on:

- Fiscal planning and administration of the College;
- Physical facilities of the College;
- Collective agreements with faculty and staff;
- Human resource management;
- Employment conditions for employees not covered by collective agreements;
- Administering the College pension fund; and
- Other matters which the Board may delegate.

1.12 Under the terms of reference the Vice Chairperson of the Board of Governors is to act as Chair of the Finance Committee. In 1998-99 The Vice Chair was not a member of the Finance committee however the Chairman of the Board was a member. The reports to the Board were made by various members of the committee. The Finance committee for 1999-2000 shows both the Vice Chair and the Chair of the Board of Governors as members.

1.13 The terms of reference for the standing committee on Programs states the committee will make recommendations to the Board of Governors concerning policy on:

- The educational philosophy of the College;
- Program planning and evaluation;
- Admission standards, bursaries and scholarships and the awarding of certificates;
- Professional and staff development;
- Other matters which the Board may delegate.

1.14 Board regulations require the Vice Chair of the Board to be the Chair of the Program Committee. For the 1998-99 year the terms of reference were followed in this respect. However, we noted the committee membership for 1999-2000 does not show the Vice Chair as a member of the Committee.

1.15 The terms of reference of the Executive Committee state that the Committee will make recommendations to the Board of Governors on:

- Nominations for the position of Chair or Vice Chair of the Board of Governors;
- Nominations for membership on the Board of Governors;
- Nominations for Board committee membership;
- Develop processes and performance criteria for the President's annual review and performance appraisal towards the end of the contract period;
- Other matters that the Board of Governors may delegate.

1.16 The Executive Committee by regulation consists of the Board Chair, Vice Chair and the President of the College. The current membership list meets this requirement.

Recommendation

1.17 The membership of standing committees of the Board, established in Board regulations, should be followed.

Board Policies

1.18 The policies and regulations established by the Board are intended to guide the action of all individuals and organizations in the College to fulfill the legal requirements imposed on the College by the Holland College Act and other statutes and regulations. The formulation review and adoption of policies and regulations is the primary method

by which the Board exercises its leadership in governance of the College.

1.19 Board Policy is defined as a statement of College philosophy and principle, established to provide direction and assistance to the College community in the conduct of College affairs. Board Regulation is a statement establishing responsibility for implementation of policy and setting parameters around such implementation where the Board deems necessary. Board Policy and Regulation are adopted and approved by the Board and included in the College's policy manual.

1.20 Board policies have been developed covering the following broad responsibilities of the College:

- governance;
- fiscal resources;
- physical and information resources;
- human resources;
- students;
- planning and development; and
- programs.

1.21 Documented policies exist in each of these areas. The President is delegated authority by the Board to maintain the formal approved policy manual. The policies of the Board are supported by operational guidelines and procedures developed to assist in the implementation and interpretation of Board policies.

Office of the President

1.22 We expected the roles, responsibility and authority of the Board of Governors and management would be defined, understood and adhered to. The Holland College Act lays out certain powers for the Office of the President. The President is the Chief Executive Officer of the College and as such has certain responsibilities under the Act. Within these parameters, the President has authority to suspend students and faculty for cause. He makes recommendations to the Board on appointments. He supervises the work of the College and is required to make an annual report to the Board on the status of the College with recommendations for its future.

1.23 The Board has a policy on Board President Relations which clearly establishes the President's accountability to the Board and states the President, under the general direction of the Board, shall have general supervision of all centers, programs and personnel in the College system. The Policy states:

All Board authority delegated to staff is delegated through the President so that accountability of staff is the accountability of the President. The Board will instruct the President through regulation and policy and the implementation and interpretation of same is delegated to him.

1.24 The President is accountable to the Board of Governors for the overall management and operation of Holland College, and is evaluated by the Board.

Subsidiaries of the College

1.25 The College has three Institutes, two of which are separately incorporated legal entities and operate as wholly owned subsidiaries of the College. They are the Atlantic Tourism and Hospitality Institute (ATHI), incorporated in 1995 and the Institute of Adult and Community Education (IACE), incorporated in 1998.

1.26 Each Institute has articles of incorporation covering the following issues:

- Purposes and objects of the corporation;
- Membership;
- Board of Directors and Committees;
- Appointment of Auditors;
- Meetings;
- Borrowing powers;
- Amendments to bylaws;
- Indemnification of Directors and Officers; and
- Dissolution and winding up.

1.27 ATHI was incorporated to establish it as a centre of excellence for tourism and hospitality training on Prince Edward Island. We were advised that establishing the Institute as a separate entity facilitated the identification and access to capital funding sources for the Institute. A License and Services Agreement exists which covers the provision of administrative support and other services to ATHI by the College.

1.28 The articles of incorporation of ATHI provide for the Board of Directors to consist of one representative of the Department of Economic Development and Tourism for the Province of Prince Edward Island, two representatives of Holland College and three private sector representatives of the tourism and hospitality industry. In addition there shall be one non-voting representative from each of the Atlantic Canada Opportunities Agency and the Department of Human Resource Development Canada. We reviewed minutes of the meetings of the

Board of Directors of ATHI. We found the Board acts primarily in an advisory capacity. The Vice President of the College is a member of the Board of ATHI and the Executive Director of ATHI is a member of the Management Executive Committee of the College.

1.29 The training provided through IACE had been provided by the College as well as community based organizations in previous years. The establishment of the Institute as a separate entity consolidated the provision of these courses under one provider.

1.30 The Board of IACE is constituted to have one representative of the Department of Education and four representatives of Holland College. The membership list provided to us showed one representative from the Department of Education, two private sector representatives, one representative from a government agency and two representatives from Holland College.

1.31 The role and authority of the Institute Boards in relation to the Board of Governors was identified as an issue in the questionnaire sent to members of the Board of Governors. Only two of the eleven Board of Governors' members who responded to our survey indicated a clear understanding of the authority and accountability of the Institute Boards in relation to the Board of Governors. We noted in the Board of Governors' minutes in July 1998 the Board of Governors requested clarification on the roles and responsibility of the ATHI Board of Directors vis-a-vis the Holland College Board of Governors. Further, during our audit we noted that there was some uncertainty among staff regarding the application of some College procedures to ATHI.

Recommendations

1.32 The configuration of the Board of the Institute of Adult and Community Education should be in accordance with the terms established in the articles of incorporation.

1.33 The roles, responsibility and authority of the Institute Boards of Directors in relation to the Board of Governors of the College should be clarified.

Holland College Foundation Inc.

1.34 Holland College Foundation Inc. is a registered charity incorporated under the laws of Prince Edward Island. The Foundation is a separate legal entity from Holland College, nevertheless, it is controlled by the College and has an important relationship with the College. The purpose of the Foundation is to assist Holland College in

expanding its educational services by developing private sector financial support for College students, programs and facilities.

1.35 During 1998-99 the Foundation received nearly $300,000 through donations, bequests, special events and interest on investments. Of this, over $80,000 was paid out to students in the form of bursaries and awards and approximately $100,000 was paid to the College for various capital expenditures.

1.36 Our objective was to review the role of the Foundation in relation to the mandate and objectives of the College and determine if reporting relationships are clearly defined. We reviewed the Articles of Incorporation of the Foundation and its bylaws, minutes of the meetings of the Board of Directors of the Foundation, the annual reports and audited financial statements of the Foundation. In addition, we interviewed the Vice-President of the College and the Administrative Assistant of the Foundation.

1.37 Holland College Board of Governors approves all appointments to the Board of Directors of the Foundation. The operational expenditures of the Foundation are funded through an annual grant from the College. For 1999-2000 the operational grant to the Foundation was reduced from $220,000 to $50,000 and the organization and activities of the Foundation were streamlined. A new strategic plan was drafted for 1999-2000 and terms of reference were drafted for the Executive of the Foundation Board.

1.38 The bylaws and policies of the Foundation do not reference any reporting requirement to the Board of Governors of the College. However, summary financial information on the Foundation is included in a note to the audited financial statements of the College.

1.39 The Foundation has developed a statement of goals each year and presented it to its own Board of Directors for approval. The status of progress against the goals was presented periodically to the Foundation Board. There is no indication in the Board Minutes of the Board of Governors that they received information on the goals or extent of funds received through the Foundation. The terms of reference recently developed for the Executive of the Board of Directors of the Foundation include a requirement to report quarterly to the President of the College. These have not yet been approved by the Board of Directors of the Foundation nor have the terms of reference and plans been presented to the Board of Governors of the College.

Recommendation

1.40 The Board of Governors should request periodic reporting on the goals and objectives of the Foundation and the results achieved.

The Role of Government

1.41 The Holland College Act provides for a separate educational institution with a high degree of autonomy. Through the Board of Governors and the President it has a strong governance and management structure, clear authority and responsibility to provide educational opportunity in the fields of applied arts, technology, vocational training and adult education. Despite this high level of autonomy, the Provincial government has an important role and responsibility regarding post secondary education in the Province. The Provincial government provided $11 million in funding to the College during 1998-99 and is ultimately responsible for post secondary education in the Province. Government is answerable to the public for the use of these funds and the related outcomes in the education sector.

1.42 Last year in our report on the University of Prince Edward Island we emphasized the importance of the role of government in setting policy for higher education in Prince Edward Island. We made the point that a long-term plan for higher education for the Province was required. We noted at that time that the University and the Province were working together to develop an education and training strategy for PEI. Efforts in this area have continued over the past year through the Millennium Skills Project coordinated by the University and funded through the Federal/Provincial Labour Market Development Agreement. Valuable research has been conducted through this project, however, a long-term plan for higher education has not yet been developed. The need for a long-term plan to deal with the College is equally important.

1.43 The Department of Education and the College have recognized the need to establish dialogue on a long-term plan for the College. In May of 1999 a joint committee of the Department of Education and Holland College was established and the terms of reference indicated that both organizations recognize the importance of "ensuring the College's mandate is clearly articulated, that there is an agreed accountability framework within which the College's progress towards their mandate is monitored, and that sufficient funding is in place to fulfill their mandate." The committee has held several meetings and discussions are ongoing.

1.44 In conjunction with these discussions, the College has raised concerns about the long-term funding of the College. Program offerings and enrolments have increased over the past ten years with similar expansion of facilities and program expenditures. The College has been incurring deficits in recent years. It is obvious that discussion and debate is required to formalize an overall long-term strategy for post secondary education in the Province with a corresponding long-term financial commitment. We provide more information on College funding in a separate section of this report.

Recommendation

1.45 The Provincial government, in consultation with Holland College and the public, should develop a long-term plan for post secondary education for the Province supported by a long-term funding commitment to the College.

2. ACCOUNTABILITY

Introduction

2.1 Community colleges like many other organizations that receive public funds, are faced with increased scrutiny for the use and management of resources. Public accountability by organizations for the resources entrusted to them is not something new although it has become more prominent in recent years. In our own Province the Financial Administration Act was amended in 1996 and now requires numerous public sector organizations to annually report on goals and results achieved in a publicly released document.

2.2 There are many organizations and groups who have a vested interest in the success of Holland College. The Board of Governors provides focus for all stakeholders. The internal stakeholders include the instructors, administrators and other employees who have an interest in the College providing quality training, working towards the approved objectives and ensuring financial stability. The students are the key stakeholders having invested both financially and personally to acquire a skill set leading to employment.

2.3 The external stakeholders include organizations that deal directly with the students and graduates and include potential employers, future clients, and other institutions. They want to ensure that the standard of quality of the training is high and they can rely on the capability of the students to put the skills into practice. Other external stakeholders include other private sector organizations which may partner with the

College on development or funding projects and must be confident in the financial management of the College and its ability to produce results.

2.4 Finally the community at large is a stakeholder. Although it may not benefit directly, it shares in the betterment of society as a result of the enhanced employability of the graduates. To the extent the community provides public funding through tax dollars it also has an interest in the overall success of the College in achieving its objectives.

2.5 Each of these stakeholders has different interests and perspectives but all need information that the College is providing good value for the time and money invested in its services. In order to satisfy its stakeholders the College needs to answer some broad but fundamental questions such as;

- How well is the College performing?
- Is it teaching the right things?
- Is it well positioned for the future?
- Is the money well spent?

Current Developments

2.6 In a number of jurisdictions across the Country action has been taken to develop performance reporting systems to answer the key questions of stakeholders. In several provinces performance indicators for the colleges within the province have been identified and agreed upon. Initiatives have been underway to link post secondary education sector performance to the use of public resources. The intention in these provinces is to develop the performance reporting structure so that eventually the performance results of the college will impact the distribution of a portion of the operating grant funding.

2.7 The Minister of Education for Prince Edward Island is a member of the Council of Ministers of Education, Canada which proclaimed a joint declaration in 1993 formally committing the Ministers to the highest quality education based on shared and relevant goals. Working within the Declaration and after consultations, the Ministers endorsed the Policy Statement: "Public Expectations for Post Secondary Education" on February 24, 1999. In the preamble to the Policy the fundamental challenge facing post secondary education is described. The public places great value on post secondary education and as a result the public expectations have increased significantly while the costs of investing in post secondary education by both the individual and government has grown dramatically. The key is in enhancing the value of post secondary education, meeting the expectations of Canadians and keeping the investment for both government and individuals affordable

and effective. To this end the Ministers developed the policy to reflect reasonable expectations for post secondary education.

2.8 Within the policy statement expectations are articulated in six key areas: quality, accountability, accessibility, mobility/portability, relevance/responsiveness, and research and scholarship. For each of these areas expectations are stated in general and also broken down into what is expected at a system level, an institutional level and an individual level.

2.9 The Policy describes the expectations for accountability at the system level:

- Articulation and Coherence of Vision - The objectives of the sector and each institution should be clearly articulated.
- Clarity of Government Purpose - Governments should explain their expectations and responsibilities for the sector, institutions and Boards of Governors.
- Public Satisfaction - Satisfaction should be evident on the part of graduates, employers and the public.
- Who Funds What - Funding proportions should reflect benefits accruing to each partner.

2.10 While these expectations have been recently publicly endorsed, they have been discussed and considered over an extended period. Accountability for community colleges is an important issue and other jurisdictions are taking action. It is important to be aware of developments in other provinces. This focus on accountability within the community college sector across jurisdictions demonstrates the need for public accountability reporting.

Roles and Responsibilities

2.11 We reviewed the accountability relationships between the College, the Department of Education, the Maritime Provinces Higher Education Commission (MPHEC) and the Legislature. Our objective was to determine if the roles are clearly defined, and sufficient appropriate information is reported.

2.12 We reviewed external accountability reports prepared by the College, the Department of Education and MPHEC to determine the extent of information currently reported to the public. We conducted interviews with senior management of the College and the Department of Education. We obtained current information on accountability reporting for colleges and institutes in various provinces in Canada as well as current information on public reporting from the CCAF, a

Canadian research and education foundation, and the Canadian Institute of Chartered Accountants.

2.13 In reviewing the role of MPHEC in relation to the College we found the agreement signed between the Provinces of Nova Scotia, New Brunswick and Prince Edward Island in 1997 regarding renewal of arrangements for regional cooperation on post secondary education, in effect, redefined the role of MPHEC. That agreement calls for the scope of the Commission to focus on university education, primarily those programs conferring a degree and states that the community college programs will not require the approval of the MPHEC. Officials from both the College and the Department of Education confirmed that MPHEC currently has no practical role in respect to Holland College other than the flow through of grant monies from the Province.

2.14 In 1998 the Atlantic Community College Consortium was established in an attempt to develop a basis for cooperation and comparison among community colleges similar to what MPHEC provides for universities. It has been working in several areas including graduate surveys, transfer agreements, articulation, and labor market analysis.

2.15 In addition to responsibilities prescribed through various pieces of legislation, the Minister of Education through the School Act has responsibility for overall leadership of the educational system in the Province which would include post secondary education. Currently the Ministry provides an annual report to the Legislature but it does not provide information on the goals and results achieved related to post secondary education offered by the College.

2.16 The Holland College Act requires the Board of Governors of Holland College to file an annual report on the affairs of the College which is tabled in the Legislature. The Act also requires the Board to provide a budget proposal to the Minister each year. In addition, the College provides its strategic planning document and audited financial statements to the Department each year.

2.17 We examined the information currently provided to the Legislature. The annual report of the College includes summary financial information, and activity based information in terms of programs offered, new initiatives, and graduations. Some results based information is included such as enrolment trends and graduate success in attaining employment. It does not, however, describe the goals of the College and the related results achieved during the year.

2.18 The terms of reference of the joint committee established by the College and the Department of Education in June 1999, indicate the desire to establish an agreed accountability framework to monitor progress toward achievement of the College's mandate.

A Reporting Framework

2.19 An accountability structure makes clear who is to answer to whom, for what responsibilities, and also provides for the evaluation of performance against reasonable expectations. Reporting on performance closes the gap and allows a comparison of actual results against the original expectations. A framework for reporting on College performance requires a number of elements:

- clearly stated mission and objectives of the College;
- plans detailing the results or outcomes to be achieved;
- performance measurement against plans; and
- reporting on actual performance compared to original results expected.

2.20 We noted the College has a number of these elements in place and is advancing in the establishment of an accountability framework. The object of the College, as mandated in the Holland College Act, is "to provide a broad range of educational opportunity particularly in the fields of applied art and technology, vocational training and adult education." The College has established a mission within the parameters established by the Act as follows:

> *Dedicated to excellence in performance, the College stands committed to providing quality lifelong learning opportunities to support learner, industry and community development.*

2.21 In support of the mission the College has established the following purpose:

Holland College must

- Provide a comprehensive range of quality educational opportunities;
- Be responsive to the needs of community, employers, and learners;
- Facilitate PEI's economic, cultural and social development;
- Provide life long educational opportunities for adults of all backgrounds and cultures;
- Develop the whole learner to instill the attitudes, technical and life skills required for employment and community involvement;
- Promote innovation in instruction and program delivery;
- Assume a leadership role in communication technology and networking; and

- Assume a leadership role in human resource development for the service sector.

2.22 We noted that Division/Institutes have documented plans, which are linked to the overall mandate of the College. These plans establish certain expectations for the Division/Institutes, some of which are expressed in results oriented terms.

ISO Certification

2.23 The measurement of performance at the College stems largely from the requirements of the International Organization for Standardization (ISO) procedures. The ISO Quality Certification received by the College denotes a philosophy of customer service and continuous improvement. The implementation of the procedures necessary to achieve this certification depends on the development of policies and procedures in relation to key performance areas within the College.

2.24 The ISO 9000 is a set of internationally recognized standards for both quality management and quality assurance that have been adopted world wide. In 1997 the College decided to work towards ISO certification as a means of providing quality assurance to its clients. Since that time staff have identified, developed and documented standards and procedures for nearly all aspects of College operations. The ISO process establishes a framework for a quality system for training delivery but also includes the administrative structures to be in place in order to ensure procedures are implemented and allow for continuous quality improvement.

2.25 Holland College, in response to the desire to attain ISO certification, has developed procedures over:

- Program Design, Organization and Delivery, including program planning design and approval;
- Student Entry and Exit including recruitment, marketing, admissions and registration;
- Support Services including purchasing, equipment, student support;
- Quality Assurance and Strategy including program monitoring/evaluation and review, staff roles and responsibilities, management and review, performance indicators;
- Human Resources including recruitment, training and development, and Learning Management Program.

2.26 Independent auditors are periodically engaged to conduct an audit in accordance with ISO specifications which, if the standards are met, results in an ISO certification. The value of the certification to the College is that it provides quality assurance in relation to the service provided. Holland College was one of the first community colleges in Canada to achieve ISO certification which was received in April 1999.

Critical Performance Indicators

2.27 The College currently obtains and compiles information on performance on a regular basis as part of the ISO certification requirements. New students are surveyed regarding the registration and admissions process, existing students are surveyed regarding satisfaction with the program and instructor, and graduates are surveyed one year after graduation primarily regarding their success in obtaining employment. A performance report is prepared by program with the results of the surveys and including enrolment information, and direct program costs. These reports are used as accountability documents within the College to hold managers accountable for the results in their program areas. Managers are expected to bring forward a plan of action to address areas where the results require it. The performance indicators report is not presented to the Board of Directors in its entirety, however, it is used as support for program changes presented to the Board for approval.

2.28 The performance indicators report includes valuable information for assessing performance and could serve as the starting point for the development of a public accountability document. Much of the information accumulated and reported in this manner links to the goals and objectives of the College. For example, information on graduate employment included in these reports allows an assessment on the responsiveness and the quality of the College's programs which are two facets of the purpose of the College and two expectations for post secondary education recently adopted by the Ministers of Education. The performance information currently being accumulated could be aggregated and reported at a summary level first to the Board and ultimately the Legislature and the public as part of the College's annual report.

2.29 In summary, the processes for measuring and reporting on performance at the College are still evolving. The ISO certification has lead the College to implement procedures for performance measurement. The College has a critical performance indictor report that indicates performance in a number of areas. However, the College does not have

a public accountability document that links performance results back to the purpose and goals of the College.

Recommendation

2.30 The College should provide summary performance information in its annual report to the Legislative Assembly. The report should

- **focus on results and achievements**
- **relate actual achievements to expectations**
- **include both the successes and shortcomings of performance**
- **relate costs to results.**

3. COMPARATIVE INFORMATION

3.1 Comparative information on Atlantic colleges is not readily available. We attempted to obtain comparative information from the College, as well as, the Atlantic Community College Consortium. This Consortium was only established in 1998 and we are advised that compilation of comparative information has not been prepared to date. We believe it is important that this type of information be available to provinces in reviewing funding to Colleges.

3.2 To provide some comparisons, we obtained the audited financial statements of the Nova Scotia Community College, the College of the North Atlantic (Newfoundland), and the Business Plan of the New Brunswick Community College. Based on this information, and the audited financial statements of Holland College, we compiled the information in Exhibit 3.1. We recognize that there are some differences in governance structures, accounting procedures, and funding formulas, among the Colleges. However, since the information was extracted from audited financial statements and a business plan, it should provide some basis for comparison.

Revenues

EXHIBIT 3.1
ATLANTIC COMMUNITY COLLEGES
REVENUE COMPARISON
1998-99

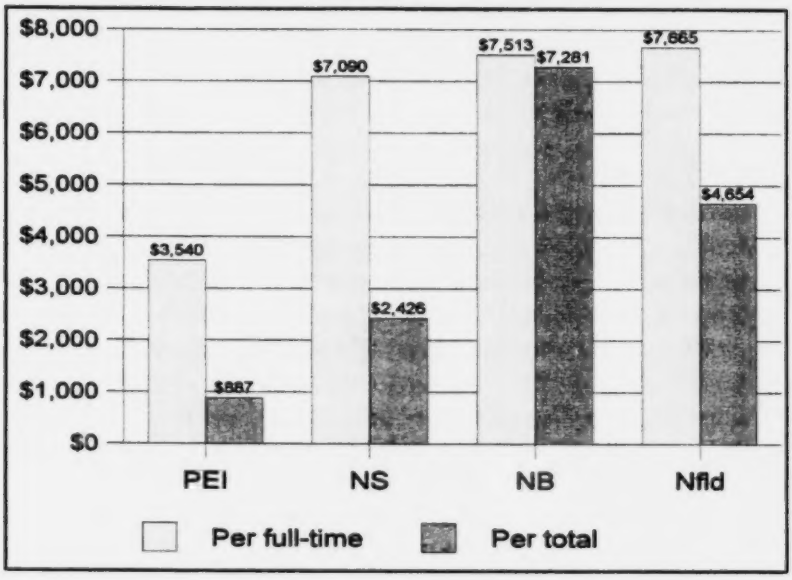
	P.E.I. Actual % of Total *	N.S. Actual % of Total *	N.B. Projected % of Total **	Nfld. Actual % of Total *
Revenues				
Provincial	32.2	59.2	78.2	51.7
Tuition	33.4	9.2	13.6	15.7
Contract Training	9.2	10.7	5.0	15.9
Other	25.2	20.9	3.2	16.7
Total	100.0	100.0	100.0	100.0

Source: *Audited Financial Statements
**New Brunswick College Business Plan

3.3 As shown in Exhibit 3.1, the Province of PEI contributes about 32 percent of the operating revenue of Holland College while the other three Atlantic provinces fund between 52 and 78 percent. As is apparent from the Exhibit most of the difference in revenues is provided by the students at Holland College through higher tuition which is 33 percent of the total revenue compared to 9 to 16 percent for the other provinces.

3.4 Another way of analyzing provincial revenue is to compare the average revenue received for each Holland College student to students of the other provinces' community colleges. Holland College had approximately 2,400 full-time students compared to 5,300 in Newfoundland, 6,800 in Nova Scotia and 7,900 in New Brunswick. In addition, Holland College had reported 7,300 part-time or non-credit enrolments, Newfoundland 3,400, Nova Scotia 13,100, and New Brunswick reported only 250 part-time students. A comparison of revenue received from the Province per full-time enrolments and per total enrolments is shown in Exhibit 3.2.

EXHIBIT 3.2
PROVINCIAL OPERATING REVENUES PER STUDENT, ATLANTIC COLLEGES



Source: Revenue per Financial Statements and Business Plan.
Enrolments per MacLeans Publication, December 1998.

3.5 On a per student basis Holland College receives less provincial revenues than other Atlantic Colleges. This has resulted in Holland College collecting more revenues per student from tuition than other Atlantic colleges. Their tuition structure also varies from the other Atlantic colleges. In general, this is because certain programs were designated as self-supporting when the fee structures were introduced. Exhibit 3.3 summarizes the mandatory tuition fees by program for the 1999-2000 year at Holland College. Generally, programs other than core programs are intended to be self supporting. Approximately 35 percent of tuition fee revenue comes from core programs.

EXHIBIT 3.3
HOLLAND COLLEGE
ANNUAL TUITION FEES BY PROGRAM
1999-2000

	Average		
	Tuition	Laboratory or Technology Fees	Total
Core Programs	$ 2,000	$1,250	$3,250
Police Cadet	16,250	-	16,250
Business Systems	10,000	500	10,500
Aircraft/Electromechanical	8,750	-	8,750
Paramedicine	7,100	850	7,950
Other Justice	6,575	308	6,883
Culinary	6,317	716	7,033
Other ATHI	3,667	150	3,817
Metal Fabrication	3,500	1,250	4,250
Other Programs	3,994	390	4,384

3.6 The introduction of the technology fee in 1999-2000 has increased annual tuition fees at Holland College to $3,250 for its core programs. In New Brunswick the normal annual tuition is $2,400, while in Nova Scotia it is $1,500 and Newfoundland is $1,452. The above comparisons indicate that Holland College has been charging higher tuition fees because Provincial and other revenue sources are insufficient.

Expenditures

3.7 The expenditure information we reviewed for the Atlantic community colleges is not presented in a manner which is readily comparable. Two of the colleges present the information by category such as salaries and supplies; and the other two present it by function such as administration and instructional. We did, however, review information presented to us by Holland College which dealt with a consultant's report on five colleges in British Columbia, Alberta and Ontario. The information presented to us showed that the total cost of operation per full-time equivalent student at Holland College was $6,533 while the costs for the other five Canadian colleges ranged from $7,235 to $11,969 per student. As with revenues, further details would have to be obtained by the College and the Department to provide a more in-depth analysis and comparison.

Recommendation

3.8 More detailed information should be obtained from other Atlantic colleges on revenues and expenditures. This information could be used to identify significant trends and variances that should be considered in determining and assessing funding requirements.

4. FINANCIAL CONTROL AND BUDGETING

Introduction

4.1 The financial statements of Holland College were audited by an external firm of Chartered Accountants. Our audit relied on the work of the external auditor to determine whether the financial statements are fairly presented. The financial statements indicate the College had revenue of $26.8 million in 1998-99 and expenditures of $29.4 million resulting in a deficit of $2.6 million for the fiscal year.

4.2 Exhibit 4.1 summarizes the operations of the College for the last three years.

EXHIBIT 4.1
STATEMENT OF OPERATIONS
(Millions)

	1999	1998	1997
Revenues			
MPHEC	$ 5.4	$ 5.4	$ 5.6
Dept. of Education	3.2	3.0	3.7
Other Provinces	.2	.2	.8
Other Grants	1.8	.9	1.6
Contract Training	2.5	3.3	3.4
Sales and Recoveries	3.0	3.1	3.6
Student Fees	8.9	8.0	5.0
Amortization of Deferred Contributions	1.8	1.5	1.2
	$26.8	**$25.4**	**$24.9**
Expenditures			
Salaries and Benefits	16.5	15.0	14.5
Materials	2.0	2.0	2.2
Travel	.6	.5	.5
Facility costs	3.0	2.7	2.7
Purchases for Resale	1.1	1.2	1.3
Other Operating	3.3	2.5	1.8
Amortization of Capital Assets and Program Development	2.9	2.6	2.1
	$29.4	**$26.5**	**$25.1**
Excess of Expenses over Revenues	**$(2.6)**	**$(1.1)**	**$ (.2)**

4.3 Exhibit 4.2 summarizes the financial position of the College for the last three years.

EXHIBIT 4.2
FINANCIAL POSITION
(Millions)

	1999	1998	1997
Assets			
Current Assets			
Receivables	$ 3.6	$ 3.5	$ 4.6
Other	.6	.6	.9
Capital Assets and Program Development Costs	20.5	19.8	10.7
	$24.7	$23.9	$16.2
Liabilities, Deferred Contributions and Net Assets			
Current Liabilities	$ 6.5	$ 6.3	$ 4.6
Retirement Obligation	1.2	1.2	1.1
Long Term Debt	3.3	1.0	-
Capital Lease Obligation	1.8	1.9	2.0
Deferred Contributions	13.0	12.0	6.7
Net Assets (Debt)	(1.1)	1.5	1.8
	$24.7	$23.9	$16.2

4.4 In 1997-98 the College retroactively adopted the accounting recommendations of the Canadian Institute of Chartered Accountants related to not-for-profit organizations. Because of this change comparative data has been presented for the past three years only.

4.5 The audited financial statements for the year ended March 31, 1999 show an excess of expenses over revenues of $2.6 million, an accumulated operating deficit of $3.2 million, and a net investment in capital assets of $2.1 million resulting in a total net debt of $1.1 million.

4.6 The College recognizes that its financial situation has to be addressed and has prepared a Funding Requirements Proposal for the Provincial Government. The proposal was sent to the Province in June 1999 and a further presentation was made in October 1999. The College indicated that they require increased funding in order to maintain operations at their current level. At the time of our field work we were

advised that this proposal is still under consideration and discussions are ongoing.

4.7 In the governance section of this report we comment on the lack of a long-term provincial plan for post secondary education which would include Holland College. Any funding arrangement would have to be entered into after consultations between the Province and the College and the development of a long-term plan outlining the College's future direction.

Recommendation

4.8 The College's deficit situation should be addressed. Funding requirements should be assessed based on a long-term plan developed in consultation with the Provincial government.

4.9 The financial statements include a long-term bank loan of $2.3 million as at March 31, 1999. This bank loan was not specifically approved by Executive Council. Section 11(1) of the Holland College Act states "The Board shall not incur any liability or make any expenditure for the purchase of land or the erection of buildings or for any other purpose:

(a) unless the liability or expenditure can be provided for out of the annual income of the year or out of other moneys available for the purpose; or
(b) unless the liability or expenditure is approved by the Lieutenant Governor-in-Council on the recommendation of the Maritime Provinces Higher Education Commission."

4.10 Management of Holland College interpreted this section, based on a legal opinion, to mean that as long as it is not a mortgage and the debt service charges could be paid in the following year, liabilities could be incurred without Executive Council approval. Management indicated that at the time the original loan was obtained, they expected to have sufficient funds from operations to provide for the loan. Subsequent to March 31, 1999 the College borrowed $4 million with a long-term payment schedule. This loan was used to retire existing long-term notes of $2.3 million and the balance of $1.7 million was used to fund assets previously financed by operations. Whether or not Executive Council approval should have been obtained for these loans is a matter to be resolved between the College and Provincial government. An agreed upon interpretation of this section of the Act will be necessary if future loans are to be incurred. The bottom line is the College incurred funding

shortfalls in delivery of its programs and acquiring its capital assets which now amount to $5 million including the $1 million loan on the ATHI property.

4.11 The College did obtain Executive Council approval for the loan of $1 million on the ATHI property.

Recommendation

4.12 The College and the Provincial government should reach an agreement on the requirements of the Holland College Act related to Executive Council approval of long-term debt.

Budget Process

4.13 Budgeting is an essential aspect of the planning process for any organization. Strategic plans must be translated into financial budgets and budgets should be monitored and compared against the actual operating results. Monitoring is necessary to identify major differences from planned expenditures so that corrective action can be taken on a timely basis.

4.14 The Holland College Act requires that "Each year, on or before a date to be fixed by the Minister, the board shall submit to the Minister a budget proposal for the following fiscal year." Each year, management of the College meet with senior officials of the Department of Education to discuss the budget.

4.15 The Board has policies and regulations related to budgeting. The policy indicates " the Board of Governors expects that all accounting for revenues and expenses, and all forecasting and budgeting, will be conducted within the College in a responsible, prudent and professional manner, with due and appropriate consideration of all relevant factors, based on the most current and complete information available." Board Regulations indicate "The College cannot budget for a deficit in any fiscal year. If a deficit should occur in any fiscal year within the College, it will be the first charge against the following fiscal year's grant."

4.16 The budgeting process used in 1998-99 included a summary budget that was approved by the Board of Governors in March 1998 as part of the strategic planning process. This summary budget indicated a surplus of $20,000 and was used to prepare the first draft of the detailed budget. According to the external auditor detailed budget information was incomplete and contained incorrect information.

4.17 In October 1998 the Board of Governors was advised by management, that based on new information, the budget previously approved would not be achieved. A forecast was prepared by the College's external auditor which indicated a potential deficit for 1998-99 of $700,000 for operations. The actual deficit for 1998-99 was $2.6 million.

4.18 The budget process was substantially revised for 1999-2000 and included a guide and spreadsheet tools to achieve the following goals: provide uniformity in the budgeting process; ensure the information submitted to management is consistent; and minimize the effort required to prepare the budget. This was a significant improvement over the prior year because the process started in January 1999 and the budget was available to be discussed with management before the beginning of the 1999-2000 fiscal year. The expectation was that Executive Directors would be fully accountable for the management of their budget within the levels established. A separate process was used to prepare the capital budget.

4.19 The 1999-2000 budget was completed and presented to the Board of Governors in March 1999. One of the changes in the budget process introduced for this year was the separation of capital from operating budgets. The capital budget process prioritized capital items and identified funding sources. In addition, a control feature has been added. Staff are required to check for available funds or budget in the financial information system before issuing purchase orders or processing payments. Reporting to the responsible Executive Directors has also been improved.

4.20 The budget process has been further revised for 2000-01 with the intention of establishing a budget committee in October 1999 and having the budget completed and Board of Governors' approval by the end of March.

New System Implementation

4.21 During the last couple of years a number of significant changes occurred within the College which have impacted the accounting and financial systems. They include:

- Introduction of the Oracle Financial Accounting System;
- Reduction in staff and reorganization of responsibilities;
- Review of programs and relocation;
- Capital expansion; and
- A change in the accounting policy for capital assets and related revenues.

4.22 In the fall of 1997 the College's finance staff began implementation of a new Oracle financial accounting system. This was necessary because the existing system was not Y2K compliant and also lacked budgeting, monitoring and comparison capabilities. The software for the Oracle system was purchased in 1997-98 and cost $118,000. Management informed us that the financial problems over the past few years have primarily been attributed to problems with implementation of the Oracle System resulting in a lack of timely and accurate financial information. Due to problems with implementation the President engaged the external auditor to conduct an external review of the financial and budgetary systems and supporting procedures. They reported in April 1998 on the steps necessary to correct the problems.

4.23 Because of problems encountered in implementing the financial accounting system, the College used outside professional services to temporarily fill the positions of Chief Financial Officer and Controller of the College until new staff were hired. In addition, other management and professional services were provided in an effort to fully implement the Oracle system and deal with the problems that were identified. The total cost of these professional services was approximately $440,000. In addition, the College paid approximately $60,000 during 1998-99 for financial systems support.

4.24 A number of changes occurred in the staff responsibilities for financial matters. A new Chief Financial Officer was hired in February 1999 and the Financial Systems Analyst position was filled in June 1999. These two employees report to the Executive Director of Human and Corporate Services who was hired by the College in September 1998.

4.25 Financial reporting over the past couple of years has been inadequate. The Board of Governors have relied primarily on the year-end audited financial statements. The College requires more timely financial information indicating its financial position. Due to problems experienced in implementing the new system, insufficient information was available to management for budgetary monitoring and control, and financial reporting. We have been advised by management that the reporting situation has been addressed and financial information is now available on a timely basis.

4.26 One of the problems we noted was the accounting system had too many account codes. This made it difficult to compare actual and budgeted expenditures for certain accounts because some accounts were

not used while other accounts were set up with a budget and the actual expenditures were recorded to a different account.

4.27 As of March 31, 1999 the College had $3.6 million in accounts receivable. Approximately $500,000 of the accounts receivable were over 90 days old.

Recommendations

4.28 Management should ensure Oracle is fully implemented and complete, accurate financial information is available on a timely basis.

4.29 Reports comparing budgeted revenue and expenditures to actual results should be prepared on a timely basis and explanations for variances should be provided by management to the Board of Governors.

4.30 Accounts receivable over 90 days old should be investigated and collectibility determined. After all efforts are made to collect accounts, those which are determined to be not collectible should be written off.

Purchasing

4.31 The total amount of purchases in 1998-99 was approximately $13 million including capital. Responsibility for ensuring adherence to the operational guideline on procurement is assigned to the Executive Director of Human and Corporate Services. The Procurement Officer or those with College signing authority are the only ones authorized to issue purchase orders or to commit the College to purchases over $200.

4.32 We found that this guideline has not always been followed. ATHI with annual purchases of $1.2 million and the School of Justice with annual purchases of $500,000 have generally handled their own purchasing. This included making purchase commitments and then forwarding the paperwork to the Procurement Officer for processing the Purchase Orders. It has been confirmed by senior management of the College that the Procurement Guideline is intended to apply to all operating units of the College.

4.33 We also found that the approved reporting guidelines and procedures are not always followed. For example, a quarterly summary of purchase requisitions is not prepared by unit coordinators, submitted to the Executive Director of Human and Corporate Services, and summarized for the President.

4.34 The Oracle system has the capability to produce summary reports of purchases by commodity. This feature is not being utilized because purchases containing several items have a list attached and the details are not entered into the Oracle system.

Recommendations

4.35 Purchase orders should be issued in accordance with the operational guidelines and procedures.

4.36 The Procurement unit should produce a quarterly report on its activities as required by the operational guidelines and procedures.

4.37 The reporting features within the Oracle Purchasing Module should be implemented.

Contract Training

4.38 Holland College derives revenues from contract training which is provided on a customized basis to the private sector or for government sponsored training. For example, individuals collecting Employment Insurance have been sponsored by Human Resources Development Canada (HRDC) under seat purchase contracts for a variety of training programs offered to both regular students and those collecting Employment Insurance.

4.39 HRDC is the federal funding agency which enters into training contracts with the College. Their programs changed as a result of the five year Labour Market Development Agreement effective 1997-98 between the Province and Federal Government. One key difference for the College is that under the new Skills Development Program, unemployed individuals receive financial assistance directly which is used to pay tuition. The College collects less revenue than under the original system of charging a per diem rate for training. For example, some core programs have tuition rates for 1999-2000 at $3,250 while the per diem rates would generate $7,140 in revenue.

4.40 For other courses which are delivered specifically for HRDC, the per diem rates that are received do not fully cover the indirect costs. Management indicated the reason for this is because HRDC would be unwilling to significantly increase the rates.

4.41 College staff indicated they have difficulty determining precise amounts for contract training because some revenues derived from contract training funds were recorded as tuition revenues. This is because some students received the funding directly and then paid it as tuition to Holland College. Management advised they are implementing procedures to more adequately monitor this revenue.

4.42 Improvements are required in the recording and monitoring of contract training revenues. Budgeted revenues in the Oracle financial system were recorded as $4.2 million while actual revenue was approximately $2.5 million. Approximately 240 course codes were used with either a budgeted amount or an actual amount however, only 55 of these accounts had both a budget and actual amount. For example, one account called Other Budgeted had a budget totaling $2.2 million but no actual revenues.

4.43 The Other Budgeted revenues totaling $2.2 million were assigned to the Human and Corporate Services Division although the related costs to provide this training is distributed among several teaching units. Management was unable to provide a clear comparison of these contract training revenues and the associated costs. Some courses are provided for both contract training and the regular student population making cost allocations difficult. However, other courses are only provided for contract training yet the related costs to provide these courses have not been accumulated and reported.

Recommendations

4.44 The College should more closely monitor its contract training revenues in comparison to budget.

4.45 The direct costs to provide contract training should be calculated and compared to related revenues to determine if revenue is covering costs.

Program Costing

4.46 The College has not done a full program costing including an allocation of indirect costs among its various programs since the 1996-97 year. At that time financial information was prepared which included calculations of the cost per student day for all courses. One purpose of the information was to substantiate the per diem rates which the College used to provide contract training. The Oracle Financial System can provide reports of the revenue and direct costs of programs on a course by course basis. However, the indirect costs have not been fully allocated to programs in the existing Oracle financial system. Indirect

costs of approximately $12.3 million in 1998-99 need to be allocated to programs. These costs represent almost 42 percent of total College costs so their inclusion is significant.

4.47 The direct and indirect costs of providing the various Holland College programs has increased since 1996-97. Since a full costing analysis has not recently been done it is unclear what each program costs. This information would be useful in assessing what level of tuition or other funding sources is required for each program, especially those which are supposed to be self supporting. This information is critical for all programs especially new ones offered by the Aerospace Centre and Atlantic Welding and Fabrication Centre which are designed to have tuition rates at a level to ensure they are self-sustaining.

Recommendation

4.48 The College should do a full costing of its programs including an appropriate allocation of indirect costs.

5. PLANNING

Introduction

5.1 The College has prepared a strategic planning document each year for a number of years. In 1998-1999, the planning process was reviewed and documented in the form of a planning model with specified milestones, tasks, outcomes and time lines. This planning process has resulted in a formal strategic planning document approved by the Board of Governors for 1999-2000.

5.2 We reviewed the strategic planning documents, supporting documentation, the policies related to planning, and the research studies undertaken in the last few years in various program areas. We interviewed senior management on the planning process and reviewed the Board of Governors minutes for presentation of initiatives and approval of planning documents. In addition, we reviewed the status reports on the plans, budget implications for the planning initiatives, as well as strategic plans from other community colleges.

Planning Process

5.3 In the early Fall of 1998, management prepared a document known as the Strategic Directions White Paper which was driven by the need to address the financial situation the College was experiencing. An environmental scan was then prepared building on the background information provided in the previous document. This covered a broad range of factors influencing the performance of the College and provided

the groundwork for the development of a plan. The Environmental Scan was presented to the Board of Governors and to each Division of the College. The strategic plan was developed using the Environmental Scan and input from these presentations. It was then submitted to the Board of Governors for approval.

5.4 The Board of Governors and senior management view the development of a strategic plan as a priority issue. A Board policy is in place on Planning and Development which states:

> *The College supports an on going planning and development function which incorporates comprehensive labour market and student market research, and consultation with all relevant interest groups including College constituencies, government and the community generally.*

5.5 The Quality Procedure on Roles and Responsibilities places heavy emphasis on strategic planning. The terms of reference of the Management Executive Committee state that it is responsible for the preparation of the annual strategic plan as well as considering issues that arise outside the strategic planning process. This Committee is chaired by the President of the College.

5.6 The Environmental Scan carried out by the College was comprehensive in terms of examining a number of issues and their anticipated impact on the future of the College. The Scan identified a number of trends including a changing customer base, a new workplace, rapidly changing technology and shifting funding sources. To address these changing circumstances the College has identified seven strategic issues they will act upon during 1999-2000 and assigned responsibility to the President or one of the Senior Management to ensure the actions are carried out.

5.7 While each of these strategic issues are relevant and significant to the operations of the College into the future, the document provides an action plan on a one year time frame on specific strategic issues. The plan looks at issues with broad impact and major trends affecting the College, and sets out actions to be taken in relation to those issues within the year, but it does not set out strategic directions for the College in the major program areas over a three to five year time frame.

5.8 In the Fall of 1998 the strategic planning process was discussed in the Board Minutes and reference is made to a three to five year plan to address broad issues such as:

- What is the future direction of the College over the next three to five years;
- What are the major factors that may affect the College over the next 3-5 years; and
- What programs and services will the College provide.

5.9 Over the last three years the College has commissioned numerous studies in various program areas which generally address employment, potential for growth, and recommendations for the College for the future. These studies are separate and distinct and are at various stages of implementation or revision. However, we were advised that together they make up a body of research which provides a foundation for the College's plan. Although there were studies completed in each of the major areas the College does not have a document that brings these together to indicate the direction of the College overall and any outstanding initiatives remaining from these various studies.

5.10 Earlier in this report we refer to the need for a long term plan for post secondary education in the Province. This plan should be the starting point for any strategic plan developed by the College.

5.11 A plan by its nature is subject to revision as it is implemented. Providing periodic status reports on the implementation of the plan provides the Board with an opportunity to question results and have input into plan revisions. The planning model used by the College requires quarterly reporting to the Board on progress against the plan. We were advised that in 1997-98 quarterly status reports were provided to the Board. In 1998-99 periodic status reports were not presented to the Board of Governors, however, in September of 1999 a report on the implementation of the 1998-99 plan was presented. Management advised that their time was devoted to implementing a new financial reporting system and quarterly reporting to the Board of Governors on the College's plan was given a lower priority.

Divisional/ Institute Plans

5.12 In its direction related to the strategic planning process for 1999-2000 and beyond the Board of Governors referred to the need for more detailed operational planning for Divisions and Units within the College. We were told that there is no formalized operational planning process but rather each section is asked to take the strategic plan and develop and operational plan. Each division or institute has addressed operational

planning in its own way. For example; ATHI has a three year strategic plan, IACE has recently developed a plan, and the Justice Institute had a strategic planning report prepared by outside consultants. The College itself has recently developed a financial planning process which should bring more structure to the development of the budget.

5.13 It is evident that planning occurs at the Divisional level and we note later in the report that all Divisions have documented goals and objectives. However, there appears to be a need to establish a framework for the planning processes within the Division/Institutes, and to align the plans with the College's strategic plan.

Recommendations

5.14 Based on a long-term plan for post secondary education endorsed by government, the College should develop a long-term plan that indicates the direction for the College in relation to the Mission and overall goals of the College.

5.15 Reports on results achieved in relation to the strategic plan should be presented to the Board of Governors on a quarterly basis.

5.16 The College should work to establish a framework for operational planning at the Division/Institute level.

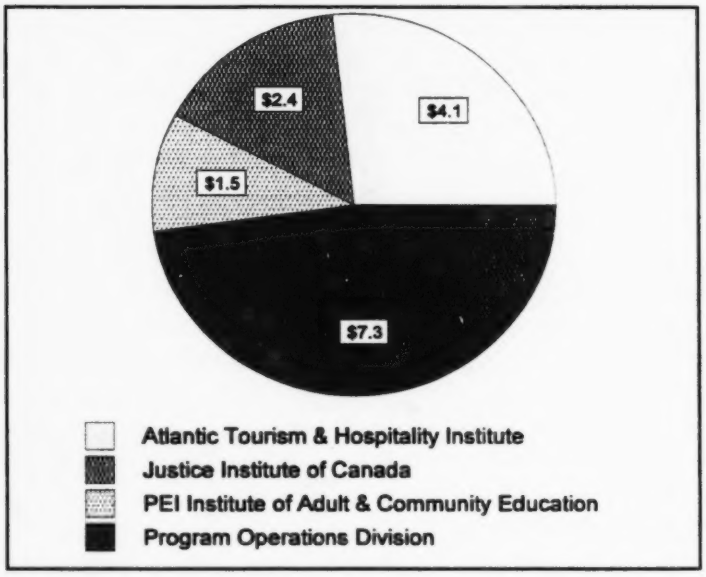
6. COLLEGE PROGRAMS

Introduction

6.1 The audit of Holland College included a review of the College's academic and vocational programs. These programs are delivered by one Division and three Institutes, including: Program Operations Division, Atlantic Tourism and Hospitality Institute (ATHI), Justice Institute, and the PEI Institute of Adult and Community Education (IACE).

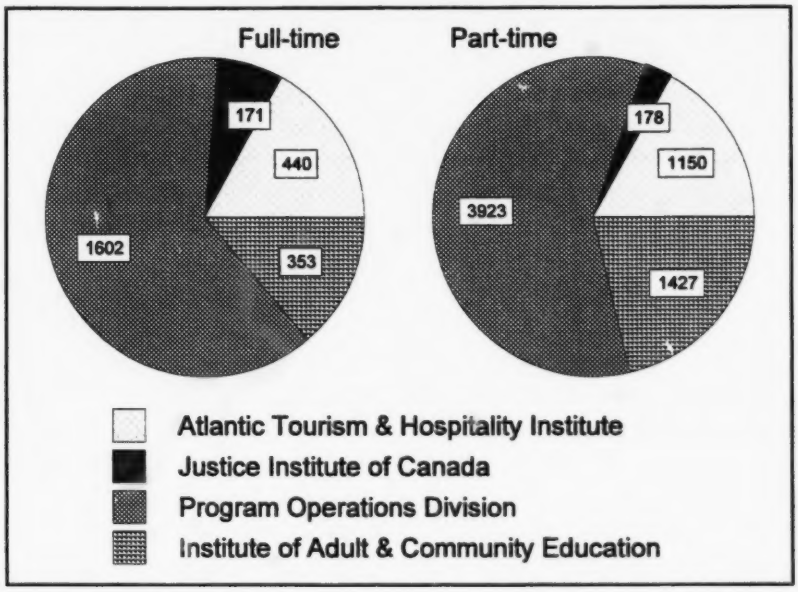
6.2 The budgeted expenditures for the year ended March 31, 2000 for the Division and Institutes are approximately 61 percent of the total budgeted operating expenditures for the College. The breakdown of $15.3 million is summarized in Exhibit 6.1.

EXHIBIT 6.1
BUDGETED EXPENDITURES BY DIVISION AND INSTITUTES
1999-2000
(Millions)



6.3 The enrolment figures were received from the Registrar's Office for the 1998-99 year. Exhibit 6.2 illustrates the breakdown of 2,566 full-time students and 6,678 part-time students among the Division and Institutes.

EXHIBIT 6.2
ENROLMENT FIGURES
1998-99



6.4 Our audit work focused on the processes used to plan, implement, monitor, evaluate and report on the delivery of academic and vocational programs. In general, we found that programs were delivered to students as indicated in the College calendar. Processes are covered by Board policies and regulations, operational guidelines, and procedures designed to meet International Organization for Standardization (ISO) requirements. We reviewed adherence to these policies, regulations, guidelines and procedures as they relate to academic and vocational programs.

Audit Planning for Academic and Vocational Programs

6.5 As part of our overall audit plan, a detailed audit program was developed specifically for the academic and vocational programs of the College. In order to achieve the audit objective, the scope covered the Program Operations Division and all Institutes, including ATHI, Justice Institute and IACE. Following is a brief overview of the Program Operations Division and the three Institutes at Holland College.

Program Operations Division

6.6 The Program Operations Division had an enrolment of 1,602 full-time students, 62 percent of the total full-time student population. Budgeted expenditures were $7.3 million for 1999-2000. Within the

Program Operations Division it was decided that our audit testing would not include all of the Units but would ensure an appropriate coverage of the student base and budget of the Division. The Units included in our audit coverage were as follows:

- Atlantic Welding and Fabrication Centre;
- Aerospace and Industrial Technology Centre;
- Business Unit;
- Computer Studies Unit;
- Marine and Renewable Resources Unit; and
- Wood and Engineering Unit.

Atlantic Tourism and Hospitality Institute

6.7 Combining the programs offered under the Culinary Institute of Canada and Holland College's Hospitality Management and Travel Program, the Institute was incorporated in 1995 as the Atlantic Tourism and Hospitality Institute. The ATHI had an enrolment of 440 full-time students, 17 percent of the total full-time student population. Budgeted expenditures were $4.1 million for 1999-2000. Within the ATHI it was decided to extend our audit testing to all the full-time programs included in the ATHI and the Culinary Institute of Canada (CIC), and these were as follows:

The Atlantic Tourism and Hospitality Institute:
- Events and Convention Management;
- Golf Business Management;
- Golf Club Management;
- Hotel and Restaurant Management;
- Introduction to Cooking;
- Recreation and Leisure Management;
- Tourism and Travel Management; and
- Tourism Marketing and Advertising Management.

The Culinary Institute of Canada:
- Culinary Arts; and
- Pastry Arts.

Justice Institute

6.8 The Justice Institute includes the Atlantic Police Academy as well as justice oriented programs that were added in 1988 including training for corrections, public enforcement and private security officers. The Institute had an enrolment of 171 full-time students, 7 percent of the

total full-time student population. Budgeted expenditures were $2.4 million for 1999-2000. Within the Justice Institute our audit testing covered all the full-time programs included in the Justice Institute and Atlantic Police Academy as follows:

The Justice Institute of Canada:
- Correctional Officer; and
- Justice Preparatory.

The Atlantic Police Academy:
- Conservation Enforcement;
- Police Science (Cadet); and
- Private Policing and Asset Protection.

PEI Institute of Adult and Community Education

6.9 The IACE was established in 1998 to assume responsibility for adult education courses offered by the College and Community Learning Centres. The Institute was charged with integrating traditional programs with new programs to meet the needs of Island communities. The IACE had an enrolment of 353 full-time students. Budgeted expenditures were $1.5 million for 1999-2000. Within the IACE our audit testing covered all programs as follows:

- Advanced Conversational French;
- Basic Conversational French;
- Basic Japanese;
- College Preparatory Training;
- ESL–English as a Second Language;
- GED–Preparation for the General Educational Development Tests;
- Life Skills Coach Training;
- LINC–Language Instruction for Newcomers to Canada;
- Literacy/ABE (Adult Basic Education);
- Intermediate Conversational French; and
- Sign Language.

6.10 Our audit activities allowed us to conclude on the activities undertaken to manage and deliver the academic and vocational programs at Holland College.

6.11 The criteria used to assess management practices around programs were grouped into four sections, Goals and Objectives, Policies and Procedures for Instructional Staff, Development and Monitoring of Programs, and Management Information and Reporting.

Goals and Objectives

6.12 We gathered information to determine whether the goals and objectives of the Division and Institutes were documented, approved, and linked to the College's overall mandate and mission. Further we wanted to gain evidence that the current programs and courses offered are operating within these parameters.

6.13 Our audit found that, in general, the goals and objectives of the Division/Institutes were documented, approved at an appropriate level and communicated. Based on the results of interviews and other documentation, it appears that Division/Institutes' goals and objectives are appropriately linked to the College's mandate, mission and goals. Courses and programs support the goals and objectives of the Division/Institutes with no apparent conflicts.

- The Program Operations Division has documented goals and objectives. The Executive Director reported that goals are submitted to the President's Office for approval as part of the College's Strategic Plan. The goals are stated in result oriented terms, however, specific expectations or performance level targets are not stated. The major activities of each program are to instruct and provide practical experience to prepare students for the workplace.
- Objectives of ATHI are documented as part of a three year Strategic Plan for the Institute. In addition to the stated objectives, the Strategic Plan has goals stated for eight different areas. The objectives and the Strategic Plan were approved by the ATHI Board of Directors.
- Goals of the Justice Institute are documented and approved by the Executive Director. Communication of these goals was confirmed through interviews and review of minutes of staff meetings.
- There are documented goals and objectives for the Institute of Adult and Continuing Education and these were approved as part of the business plan presented to the Holland College Board of Governors at the inception of the Institute. Since that time the Institute has developed a strategic plan with goals and objectives stated in results oriented terms. For each objective the Institute has identified its rationale, success indicators and action to be taken in significant detail.

6.14 We looked for the courses and programs to support the goals and objectives of the Division/Institutes. The ISO procedures require meetings in relation to programs and courses to discuss and plan the program content, organization and delivery as well as to allow two-way communication between the College and industry/business representatives. These procedures call for periodic Program Advisory Committee meetings which include industry representatives; Program Review meetings, including the learning managers and Program Unit Coordinators (PUC); and Divisional Review meetings including the Executive Director and the PUCs.

6.15 We reviewed minutes of Program Advisory Committee meetings as well as Program Review meetings. We found that the discussions and review of programs carried out demonstrate that programs and courses in general, support the goals of the Division and Institutes as well as the mandate of the College.

Policies and Procedures for Instructional Staff

6.16 We gathered evidence to determine if policies on the hiring, monitoring, and evaluation of teaching staff were documented, approved by the Board and adhered to. We also expected compensation to be in accordance with a signed agreement, contract, or approved compensation arrangement. Board policies exist covering the fundamental expectations and code of conduct for employees. The processes for approval, monitoring and evaluation of teaching staff, are prescribed from a number of operational guidelines and ISO procedures. We randomly selected files of learning managers to ascertain compliance with these guidelines and procedures.

6.17 Operational Guidelines require approved job descriptions prior to filling vacant positions for teaching staff. To assure ourselves that job descriptions were properly approved we selected job descriptions from various Division/Institutes. All files were approved by the supervisor and dated.

6.18 The approved Operational Guidelines do not apply to external staff which are seconded to the Justice Institute, on contract to the IACE and employed by a third party for the ATHI. We reviewed the approval practices for these staff members and samples of job descriptions. We found that job descriptions were provided by ATHI to the employment service provider engaged to deliver human resource services. For IACE we found that job descriptions were complete and up to date. The IACE has recently documented its approval and evaluation policies in its Staff Handbook which, at the time of our audit, had not yet been approved.

6.19 To assure ourselves that individual signed contracts were in place for all teaching staff and that performance evaluations had been carried out, we reviewed a sample of personnel files. We found performance evaluations had been conducted for all instructors selected in the Program Operations Division, and IACE. For ATHI, one of the seven files we reviewed did not have an evaluation completed. For the Justice Institute, formal performance evaluations were not in place for any of the five files we examined.

6.20 It should be noted that procedures have changed in recent years for the evaluation of teaching staff. An ISO procedure covering performance evaluation of all employees except contract instructors was rescinded and at the time of our audit was being revised to simplify the required process. The ISO procedures which remain in place focus on staff training and development and evaluation of contract instructors.

6.21 In any case, it was stated throughout the College that year-end 1999 evaluations had not been conducted at the time of our fieldwork, therefore we looked for 1998 evaluations, except for the IACE where year-end 1999 was the first year as an Institute.

6.22 From our review of the selected files, we can conclude that evaluations of teaching staff appeared to be conducted in accordance with established guidelines and practices in place for 1998 with exceptions for ATHI and the Justice Institute. However, teaching staff are also evaluated through feedback from student surveys and in the case of the Justice Institute, in-class monitoring. These other procedures provide important information in an overall evaluation of teaching staff and reduce the impact of the lack of formal performance evaluation documents.

6.23 From the evidence reviewed, compensation for the majority of the College's teaching staff is paid in accordance with a collective bargaining agreement. A separate agreement is in place for teaching staff provided by a third party to the ATHI. Terms are identified for seconded staff to the Justice Institute and contract teaching staff for the IACE.

6.24 Learning managers are a major factor in the success of the College's programs and we expected to find processes in place to hold the managers accountable for their activities. There are a number of documents that establish expectations for instructors. The main one is the Faculty Agreement between Holland College and the Prince Edward Island Union of Public Sector Employees, which covers full-time

instructors and learning managers. There are also approved job descriptions as well as operational guidelines and ISO procedures.

6.25 The Collective Agreement states that parties recognize that regular weekly hours of work shall not be less than 35 hours and instructors and learning managers are required by the College to achieve a Learning Management Instructor profile as a condition of being granted continuing employment status. The Learning Management Program is a standard program for instructors administered through the Knowledge Management Unit of the College. The successful completion of the program is to occur within two years of entry.

6.26 As previously stated, our audit testing included a review of randomly selected job descriptions of learning managers/instructors from various units/institutes. All of these job descriptions describe in detail the major activities or responsibilities to be undertaken, and allocate a percentage of time required to achieve the activities and responsibilities. These job descriptions also reference education, specific training and experience required along with other facets of the particular positions.

6.27 The accountability of learning managers to Executive Directors occurs and is communicated through the annual evaluations and program review procedures, taking into account student feedback, critical performance indicators reports and Program Coordinator meetings. Our review indicated these documents demonstrate feedback on accountability.

6.28 The third party contract for teaching staff at ATHI requires accountability for activities through terms established between the contracting agent and ATHI. In reviewing the contract for staffing services we noted expectations are established in the job descriptions of each different level of staff and instructor. The agreement states that monitoring and evaluation of employees shall occur on a periodic basis.

6.29 Our review of student surveys, the critical performance indicator report and Program Review meeting minutes at ATHI demonstrate feedback on the accountability for teaching activities, however, as stated earlier, we were not provided assurance that all instructor evaluations were performed annually.

6.30 Management of the Institute of Justice stated that expectations for learning managers are established in the Collective Bargaining Agreement, Staff Handbook and job descriptions. Accountability for

activities is mostly evaluated through in-class monitoring of instructors and student feedback from surveys, included in the critical performance indicator report.

6.31 The Executive Director of IACE stated that job descriptions are developed and detail the activities for which instructors are accountable. Instructors are evaluated by coordinators taking student feedback into account. Terms of employment were recently documented in the IACE Staff Handbook. The Handbook states that, "IACE employees are accountable for the quality service they provide, for carrying out their duties and for achieving policy and program objectives within the framework of the law, IACE Policies, Regulations, Guidelines and Procedures, prevailing constraints, direction from supervisors and the limits of the resources at their disposal."

Recommendation

6.32 The College should ensure that procedures on evaluation of teaching staff are developed, communicated, and adhered to throughout the College.

Development and Monitoring of Programs

6.33 Information was gathered to assess whether adequate processes are in place to ensure all new academic/vocational programs are properly approved, consistent with prevailing practice for colleges and linked to the College's mission and mandate.

New Programs

6.34 Board Policy states that, "in order to meet the changing needs of learners and employers, the College must implement a system to monitor and evaluate client needs, and to develop, implement and evaluate College programs that meet those needs."

6.35 There is an ISO procedure on Program/Course Initiation, Design and Approval. It describes the procedures to be followed for implementing new programs. This procedure references the recently implemented design process to be used for future new programs.

6.36 The analysis phase covers the steps leading to and including the approval process for new programs and courses. They are as follows:

(1) Concept for New Program/Course;
(2) Determined Development Process;

(3) Conduct Business Planning Process including: preliminary evaluation, project description, needs analysis, key deliverables and time frame, special requirements/considerations, benefits/risk analysis, financial requirements, project management and accountability;
(4) Business Plan;
(5) Management Project Approval; and
(6) Board of Governors Project Approval.

6.37 Once approval has been granted there are further steps in the analysis phase, such as: design and develop a plan; identify scope of field (includes job requirements); assess whether national standards or developed curriculum exist; conduct occupational analysis; receive industry endorsements; and produce the skills chart if required. The adherence to industry requirements and receiving their endorsement is necessary for the implementation of new programs. National standards established by accrediting organizations are obtained and followed during this process, unless they conflict with College guidelines.

6.38 An operational guideline lists the approval process for new program proposals. No new programs have been approved for the Program Operations Division since the implementation of the above ISO procedures.

6.39 The ATHI has recently received approval and implemented the Golf Business Management Program. We reviewed the process for analyzing and approving the program. The program was approved and implemented prior to the implementation of the ISO procedure. However, a similar process was used for course design and development. Our review of the Golf Business Management approval process indicates that it was properly approved, and consistent with the College requirements.

6.40 The Justice Preparatory and Conservation Enforcement Programs were the two most recent programs implemented by the Justice Institute. The Justice Preparatory Program is in its third year while the Conservation Enforcement Program began in March of 1999. The Conservation Enforcement Program was deemed to be a short program and did not require Board of Governors approval. We reviewed the file on the Conservation Enforcement Program to determine what processes occurred before implementation. There was documentation on several meetings between the Institute and stakeholders. The needs of this Program and requirements were addressed in those documents.

6.41 The Institute of Adult and Continuing Education is unique in that its curriculum is closely linked to curriculum established through the Department of Education. The Institute is new this year and has not been involved in new program development. The Executive Director stated that the approval of the College's Board of Governors is required for new programs and that the Institute's Board of Directors would be advised on any new program developments.

6.42 From the documentation reviewed on the implementation of recent programs, it can be concluded that new programs are supported by documented analysis demonstrating the need for and benefits of the new program. The ISO procedures provide step-by-step assistance to meet requirements and the approval policy appears to be adequate for full-time programs.

Program Changes

6.43 We examined documentation to determine if processes were in place to ensure all changes to programs are properly approved, consistent with the prevailing College practice, and linked to the College mission and mandate.

6.44 Operational guidelines are in place dealing with program revisions. One guideline states "Programs will be developed and revised on a regular basis using committees representing industry or valid national occupational standards." Another guideline requires that skill charts established for each program be revised on a regular basis. In addition, the need for program changes may be identified through the College's performance reports which provide information on cost per student, enrolments, and feedback from students and graduates.

6.45 Minor program changes can be approved at the Executive Director level and communicated to the President, however, approval of the President, the Board Programs Committee, and the Board of Governors would be required if significant changes or name changes to courses and programs are proposed.

6.46 We reviewed minutes of Advisory Committee, Program Committee, and Board of Governors meetings to determine if any program changes had been approved. We noted the recommendation of program name changes and approval from the three bodies above. Meeting minutes stated that these changes were necessary to better match industry requirements.

6.47 At ATHI the need for program changes can come from the ATHI Board of Directors or the Executive Director. Program managers and instructors can also initiate changes to programs. Performance information obtained by student surveys and feedback from internship surveys are also used to assess programs and courses. The performance indicator reports are followed up at the Institute level as well as the senior management level of the College and program changes identified would be addressed through this process.

6.48 Changes to programs at the Justice Institute can originate from the Executive Director, program managers, the Curriculum Development Officer or instructors. Changes can also be initiated by stakeholders and/or industry representatives. The Justice Institute Executive Director stated that only minor changes to courses can be approved at his level and that formal approval process would be required for significant changes to programs.

6.49 At IACE program changes require approval of the Executive Director and other stakeholders such as the PEI Department of Education. If changes were significant they would also be brought to the College's Board of Governors for approval. Recently a Steering Committee was struck to establish a province-wide curriculum for a program at the IACE. In the Steering Committee's meeting minutes the PEI Department of Education had representation and provided feedback on program requirements. In the most recent Steering Committee minutes it was stated that changes to curriculum would be forwarded to the Department of Education for approval.

6.50 There appears to be adequate processes in place to ensure all changes to programs are properly approved, consistent with the prevailing College practice, and linked to the College mission and mandate.

Program Monitoring and Evaluation

6.51 We expected processes to be in place to regularly monitor and evaluate programs to ensure they are being implemented as intended and continue to fill the need, demand, and purpose for which they were originally approved.

6.52 Board policy recognizes that in order to meet the changing needs of learners and employers, the College must implement a system to monitor and evaluate client needs and to develop, implement and evaluate College programs that meet those needs. Board regulation

requires that the effectiveness of programs be evaluated periodically. ISO procedures have been implemented to provide greater detail on responsibilities and procedures for the monitoring and evaluation of programs and courses. These include: Program/Course Monitoring, Evaluation & Review; Performance Indicators; and Program - Related meetings.

6.53 The information used to identify and analyze achievements in key result areas regarding program and course demands, established performance targets and past College performance derives mostly from Critical Performance Indicator (CPI) Reports. These reports are tabulated once a year and include information from different sources, such as: the Finance Department, the Admissions Department and feedback from students and graduates. The Institutional Research Analyst administers and tabulates these CPI reports including the feedback from student graduate surveys.

6.54 This report provides information from various sources summarized for a particular program which can be used for decision-making purposes. For example, the CPI for the auto body repair program showed declining enrolment, low percentage of graduates employed in directly related work, and student rating of program quality relatively low. This information was used to support the decision by the College to discontinue this program. Surveys are also being conducted for both student and employer after on-the-job training. Feedback information from graduates and employers are also important indicators as to whether the College's program and courses are meeting the prescribed standards since those standards are set, for the most part, to prepare students for employment.

6.55 Advisory committees are crucial when evaluating programs. One of the key contributions of the advisory committee meetings is the direct knowledge brought forward by industry representatives. Advisory committees review program/course design on the basis of recommendations from instructional staff, changes in industry requirements, and new and emerging technology. The terms of reference for advisory committees state that, "Program Advisory Committees must be established for each program to ensure that training provides the necessary skills and meets the needs of employers, employees, and the future. Program Advisory Committees provide technical advice to the College on the need for, and quality of, programs."

6.56 The ATHI did not have advisory committees for its programs although we were advised the Board of Directors filled this role. We reviewed the minutes of the meetings of the Board of Directors for ATHI. We noted limited discussion on program standards at the Board level with these issues being considered primarily at the divisional review meetings. Specific terms of references in relation to program advisory responsibilities were not documented for the ATHI Board of Directors.

6.57 It was found that the Justice Institute and IACE did not follow Divisional/Departmental Review meetings procedures regarding documentation of minutes of the meetings. At IACE some agendas and notes were available, however, for both Institutes formal documentation and approval of minutes is not carried out in accordance with ISO procedures.

Program Relevance and Standards

6.58 We assessed whether procedures were in place to periodically assess the appropriateness and acceptance of programs and training, including: feedback from students, teaching staff, and management, other colleges, the business community, and other interest groups. In addition we looked for processes to ensure programs/courses adhere to prevailing program standards.

6.59 There are formal procedures in place to regularly assess the relevance and acceptance of programs and courses including feedback from the College's students, graduates, staff and management, as well as from industry through advisory committees. It would appear that informal procedures also exist to gather feedback from sources that may not be involved in College committees, such as; government and other colleges, high schools, partnering universities, and through conferences and associations.

6.60 The formal procedures to gather feedback from students and graduates are administered by an Institutional Research Analyst and minutes of management meetings demonstrate that action is taken on any unfavorable reports. The Employment Report for Holland College Graduates was prepared in June 1999 and has an overall response rate of 64 percent. Of the graduates that were employed at the time of the survey, the percentage that were employed in a field related to their studies was 77 percent for ATHI, 79 percent for Justice Institute and from 65 percent to 94 percent for programs under the Program Operations Division. The College reported 85.6 percent employment rate

overall for 1998 graduates. These positive program results are an indicator that the programs offered are relevant to industry.

6.61 Although Holland College is not required to follow specific standards endorsed by MPHEC, the College follows standards from numerous accreditation bodies, professional associations and industry employers. The accredited programs are required to follow established standards for those particular programs. The College also sets their program standards from education requirements requested by industry employers for entry into the particular job market.

6.62 From interviews and documentation reviewed, we can conclude that processes are in place to periodically assess the relevance of programs/courses and adherence to prevailing program standards.

Recommendations

6.63 For ATHI, specific advisory roles and responsibilities in relation to programs and courses should be documented and approved.

6.64 ISO procedures for Divisional/Departmental meetings should be adhered to.

Management Information and Reporting

6.65 We assessed whether there was sufficient, reliable, management information available for management to monitor and report on Division activities and achievements.

6.66 We reviewed the management information available to monitor and report on Division/Institute activities and achievement. Such information included, audited Financial Statements, Financial Variance Reports, Strategic Plans, Critical Performance Indicator Reports, Enrolment Reports, Divisional/Departmental and Program/Course Review action notes, and Per Diem Costing data. Below are our findings after reviewing the above information:

- The audited financial statements for the year ended March 31, 1999 were not available until October 1999. Management stated that financial variance reports showing budget and actual amounts for their Division/Institutes were not produced monthly and on a timely basis. Some program managers and coordinators stated that they maintained their own budgeting systems since they could not depend on these reports. It should be noted that some improvements were made, and in July 1999 reports started to be provided.

- The Critical Performance Indicator Reports show a snapshot of each program and quickly identify trends and areas that may warrant further investigation. These reports were produced for the first time in 1998-99 and information was gathered to provide comparisons over a five year period. The IACE were not included in this report although we were advised that they will be in the future; and
- The Justice Institute indicated that Enrolment Reports were not always accurate. It was stated that potential students who applied and were accepted were classified as enrolled when they did not intend to enroll in that particular session but were applying for a future session. Management made decisions on those inaccurate enrolment figures and found out only weeks before the commencement of 1999-2000 programs that enrolment would be less than reported by the Registrar's Office.

6.67 If all of the reporting processes in place were functioning as intended, there should be sufficient management information available for management to monitor and report on Division/Institute activities and achievements. However, as noted, problems were experienced with the accuracy and timeliness of information.

6.68 We gathered information to determine whether Division/Institutes performance is compared to plans and goals, and documented in a report to the President at least annually.

6.69 Reporting to the President is mostly done on an ad hoc basis, however, there are formal reports produced from the Division/Institutes particularly in relation to the ISO Quality Management Review meetings.

6.70 The Executive Director of each of the Division/Institutes reports formally to the President on behalf of his Division three times per year at the Quality Management Review meetings. These meetings are required under ISO procedures and address the Critical Performance Indicator Reports. There are also Divisional/Departmental review meetings from which reports are forwarded to the President.

Recommendation

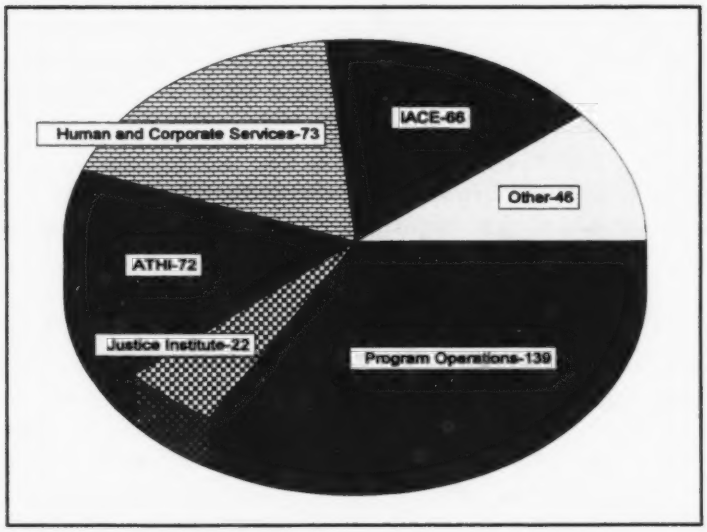
6.71 Consideration should be given to having the IACE programs included in the Critical Performance Indicator Report.

7. HUMAN RESOURCES

Introduction

7.1 Human resource management includes the processes for staffing, compensating, evaluating and monitoring employees. The College employed 299 employees as of May 1999. There were also 56 contract employees employed by the Institute of Adult and Community Education (IACE). The Atlantic Tourism and Hospitality Institute (ATHI) uses an employment agency to acquire the services of a further 63 employees. The distribution of employees is presented as Exhibit 7.1. This includes all staff working at the College. Other includes Assessment Service, Business Development, Distributed Learning, ISO, and Knowledge Management.

EXHIBIT 7.1
STAFF DISTRIBUTION



7.2 Human resource expenditures at Holland College were $16.5 million in 1998-99 an increase of ten percent over the previous year. The increase has been attributed to salary increases, and additional employees at IACE and ATHI. Salaries and benefits represent 56 percent of total College expenditures. Personnel used by the College are either under collective agreement provisions, excluded from the collective agreements, or are contract employees. At the time of our audit there were 266 employees covered under the collective agreements and 33 excluded employees. Contract employees are hired for varying lengths of time by the College.

7.3 The College has two collective agreements with the Union of Public Sector Employees covering the administrative and support staff, and the teaching faculty. There were 133 employees paid under each agreement.

7.4 The Institute of Adult and Community Education employs instructional staff through a variety of arrangements. The total cost of the 66 IACE employees was $980,000 in 1998-99.

7.5 The Atlantic Tourism and Hospitality Institute (ATHI) contracts with an employment services provider to obtain services and personnel with the necessary qualifications and competence to perform instructional, hospitality, administrative and other services. As the employer, the service provider handles the recruitment, selection, termination, remuneration, evaluation and administration of employees. Approximately sixty full and part-time employees were provided in this manner at a cost of $1.9 million. The Institute also had eight employees that were employed directly by the Institute. Six were under the collective agreement for Holland College and two were excluded employees.

Policies

7.6 There are a number of Board policies, operational guidelines, and quality procedures covering human resource issues. Some of the issues covered include: code of ethics, equity and diversity, recruitment, compensation, and staff training and development. The fundamental principle indicated by the Board for Human Resources is "The College expects the highest levels of performance, ethics and integrity from its employees. The College will create an environment where people are valued as individuals and treated with respect and dignity, fairness and equity. The College will strive to create opportunities for employees to develop and reach their full potential and to achieve their professional and personal goals. The College will foster an environment of open communication and expression of ideas where valid comment can be provided without reprisal or fear of reprisal".

7.7 The IACE and ATHI are expected to follow the spirit of these policies, operational guidelines and quality procedures. At least part of the reason for establishing these Institutes is to allow flexibility in the staffing processes. For ATHI it allows them to hire staff for the whole year and offer programs without a summer break. The IACE hires teachers when and where they are needed in accordance with the contracts signed with HRDC and the Province. The IACE is in the process of developing policies covering human resource management.

They had not been approved by the Board of IACE or the College at the time of our audit.

Recommendation

7.8 The policies being developed by the Institute of Adult and Community Education should be approved by the Board of Governors of Holland College.

Classification

7.9 The College uses a classification system to rank jobs within the College for pay determination purposes. The jobs are ranked based on the four primary elements of: knowledge and skill; effort; responsibility; and working conditions.

7.10 The IACE hires instructional staff where possible with teaching credentials. These include a Bachelor of Education Degree, a valid P.E.I. Teacher's License and Certification from a recognized post secondary Adult Education Program.

7.11 The ATHI uses staff provided by the employment service provider based on the personnel guidelines which include job descriptions and qualifications for each classification and position. The position requirements are negotiated with the employment service provider.

Recruitment

7.12 The recruitment process for filling positions at the College is documented and approved by senior management. The procedure is intended to apply to all staff recruitment with the exception of senior management. Senior management level positions are approved by the Board of Governors upon recommendation of a selection committee. Requests for staff additions or replacement are forwarded to the Human Resources Section to initiate the recruitment process. Requisitions that will result in additions to the staff complement are forwarded to the President for approval.

7.13 The recruitment process includes the following:

- Job descriptions are reviewed and updated.
- Positions covered by the collective agreements are posted internally.
- Positions not covered by collective agreement are advertised.
- The applicants are screened against the posted requirements and forwarded to a Selection Committee.
- Applicants are interviewed, references are checked, and the successful candidate is informed.

7.14 There is also an Operational Guideline which indicates that initial employment of a person in any category is subject to: sufficient funds in the appropriate budget accounts; verification that the position is essential and the appropriate approvals are obtained; an interview process approved by the Human Resources Section; reference clearance of candidates; and compliance with all policies, regulations, collective agreements and corresponding procedures.

7.15 The Executive Director of IACE indicated the recruitment procedures were not followed for IACE. To staff the new Institute they accepted applications and sought out qualified teachers to deliver the programs. In the future they intend to develop a policy which will be compatible with the College's quality procedure for recruitment.

7.16 The recruitment of staff for the ATHI is the responsibility of the employment service provider. The spirit of the policies is supposed to be followed by the Institute, but there is no stated requirement for the employment service provider to follow the policies, guidelines or procedures.

Recommendation

7.17 Management of IACE and ATHI should document the policies and guidelines to fill positions and have them approved by the Institute Boards and the Board of Governors.

Performance Review

7.18 Performance review is necessary to ensure employees know what is expected of them and whether they are meeting the job expectations. It also provides an opportunity to identify development and training needs to improve the performance of their duties. In order for performance review to be effective the duties of employees need to be clearly defined and communicated to staff. Performance review should be conducted at least annually and it should identify any training needs of individuals.

7.19 The College does not currently have a requirement for performance reviews. A procedure was in place but was recently rescinded because the requirements were too onerous. The procedure required General Area of Competency charts for each classification. This procedure is currently in the process of review with the intention of implementing a simpler process. The IACE and ATHI required all employees to have a performance review last year.

7.20 The College does have a procedure to identify and meet the training needs of the organization as well as the individual staff members. It requires evaluators to identify individual staff training needs during employee performance reviews and counsel the employee to seek training opportunities. With the rescinding of the Performance Development Review procedure, the identification of training needs is more difficult.

7.21 The Professional Development Committee of the College does a College-wide training needs analysis annually. The Committee will use this information to develop a staff development plan that identifies specific short and long-term training needs for the College. This plan is intended to address training needs that have a College-wide impact rather than individual needs.

7.22 Within each learning unit or department, individual staff training needs are to be identified by staff in consultation with their supervisor. Staff can attend training such as university or college courses, conferences, secondments, or industry training. This training must be approved by the Executive Director.

Recommendation

7.23 The College should complete the development of a performance review process to ensure employees are reviewed at least annually.

8. REGISTRAR'S OFFICE

Introduction

8.1 The Registrar's Office at Holland College includes the functions of public relations, recruitment, admissions, registration, student support and records. The Office is the administrative contact with the College for students. The Office processes applications, prioritizes waiting lists, registers students, collects money and, after completion of their program, processes their graduation documents.

8.2 We assessed the management practices, procedures, and controls in place in the operation of the Registrar's Office. Our examination consisted of interviews with the Registrar and staff, as well as a review of the processes in place over; recruiting; public relations; admissions; awarding of scholarships, bursaries and awards; maintenance of student information; the process for awarding diplomas and certificates; and student services.

8.3 The Registrar's Office provides services with a staff of 23 personnel. Registrar's Office services are provided in each of the Learning Centers located across the Island. Expenditures for the Registrar's Office were $1.3 million in 1998-99.

Goals and Objectives

8.4 We expected the Registrar's Office to have clearly stated goals and objectives linked to the strategic plan of the College. The strategic plan identified the following three actions related to the Registrar's Office:

- Develop a Strategic Marketing Plan;
- Conduct a business process analysis on customer interaction from initial inquiry through exit; and
- Develop a Customer Service Excellence Plan based on results of the business process analysis on customer interaction.

8.5 A business process analysis would be an evaluation of all activities of the Registrar's Office which impact on the students. The College's Strategic Plan indicated that competition for customers has increased substantially over the past twelve years as a result of a growing number of private sector training providers. There is also regional competition from other public training institutions. The Plan indicated that the College needs to strengthen its marketing and customer services to ensure that customers are fully informed and well looked after from first contact through post graduation follow-up.

8.6 The Registrar's Office has developed a Strategic Plan for 1999 which identifies a number of initiatives including:

- Identify an explicit marketing plan for 1999-2000;
- Increase professionalism and customer service;
- Increase efficiency in processing applications and acceptances;
- Improve communication with Learning Managers;
- Improve communication with high school guidance personnel;
- Improve communications with HRDC;
- Increase focus of College's recruitment and marketing; and
- Develop career counseling and employment strategies.

8.7 The Registrar's Office has not conducted a business process analysis on customer interaction from initial inquiry through exit. They have met internally and have reviewed the results of the Student Feedback Survey dated April, 1999 which indicates that:

- 71 percent of students surveyed agreed that Admissions staff had provided assistance;
- 79 percent agreed the overall registration process was efficient;
- 71 percent agreed the information provided by the College was accurate;
- 79 percent agreed the entrance requirements were set at the right level for them to succeed;
- 59 percent agreed the orientation activities conducted by Student Services were helpful and well planned; and
- 71 percent agreed tuition payment service is helpful and efficient.

8.8 The survey contained some neutral responses indicating the students neither agreed nor disagreed with the statements which ranged from 15-26 percent. The percent of students who disagreed with the statements ranged from 5-16 percent, indicating most students were satisfied with the services provided by the Registrar's Office.

8.9 Although a student survey has been conducted, a formal business process analysis with recommendations for improvement has not been completed.

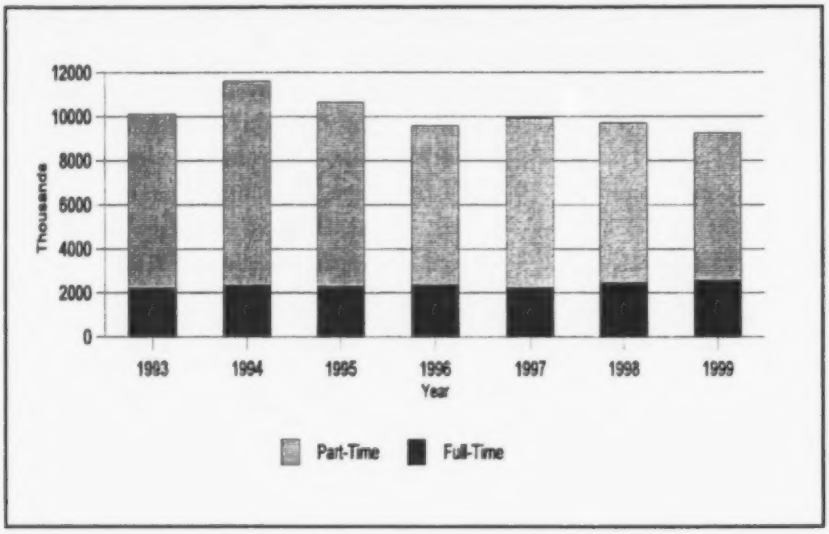
Recommendation

8.10 The Registrar's Office should complete a business process analysis as required by the Board of Governors and include recommendations for improvement in the Registrar's Office.

Enrolment Management

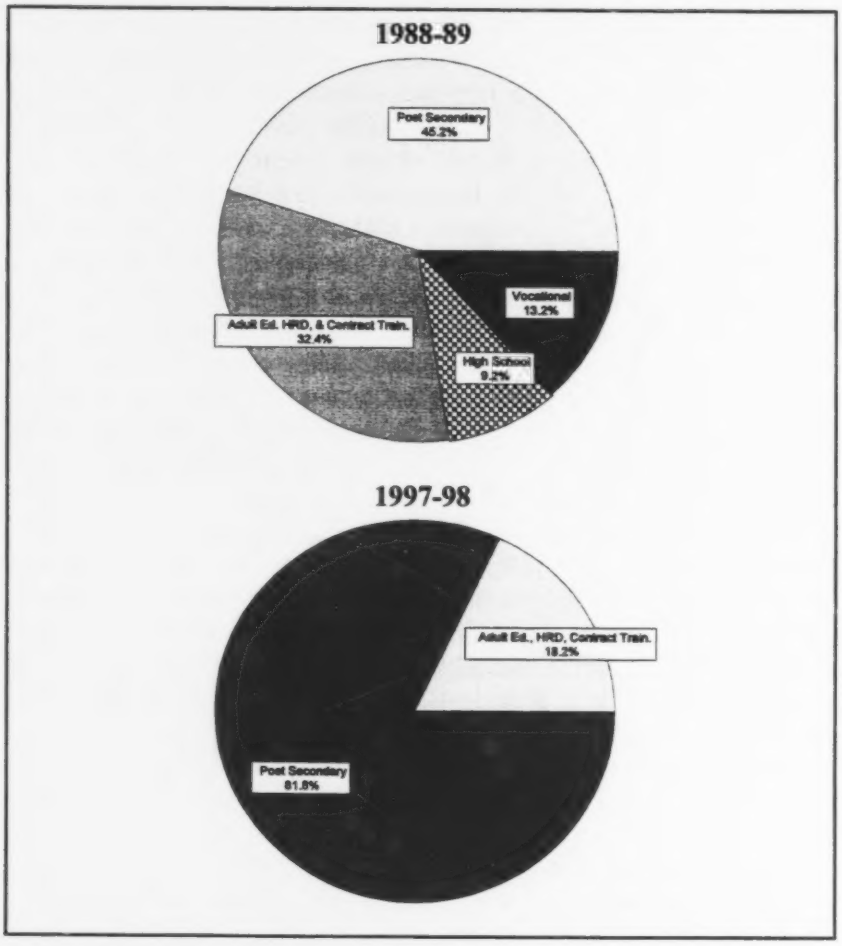
8.11 Enrolment management includes those activities necessary to pro-actively manage the student body. It should include strategic direction on the size and composition of the student body, a recruitment plan, information on the achievement of recruitment plan objectives, and a strategy to deal with the retention of students. It requires coordination of institutional communications, recruitment, liaison activities, admission procedures, orientation, academic support, and retention initiatives to ensure targeted enrolments are achieved. Enrolments for the last five years are presented as Exhibit 8.1. This included 2,566 full-time and 6,678 part-time students in 1998-99. These amounts represent over 3,600 full-time equivalent students. Over 80 percent of full-time students come from P.E.I.

EXHIBIT 8.1
HOLLAND COLLEGE
NUMBER OF STUDENTS



8.12 Management has compared enrolments in 1997-98 to those in 1988-89. Exhibit 8.2 shows that almost 82 percent of the students were enrolled in post secondary programs in 1997-98 compared to 45 percent in 1988-89.

EXHIBIT 8.2
HOLLAND COLLEGE STUDENT PROFILES
1988-89 AND 1997-98



8.13 We reviewed the policies and procedures used by the College to manage enrolments. As part of our review we interviewed the Registrar and the Recruitment Officer. The College has Board policies and regulations, operational guidelines and quality procedures. As they related to the Registrar's Office they cover issues such as: records of achievement, graduation diplomas/certificates, admissions, awards, public relations, tuition fees, academic appeals, enrolment, marketing materials, recruitment, and student support services.

8.14 In order to address enrolment issues in a planned and coordinated manner the College needs an enrolment management plan. An enrolment management plan should direct the marketing, recruitment, admission and retention objectives which include:

- marketing to ensure the College is presented appropriately to attract the necessary students. Marketing activities would include; an annual review of the College's image, as well as, a comprehensive media and publications program;
- recruitment which would include a program to make initial contact with students and track potential students until their registration;
- admission procedures to ensure applications are properly processed until the student registers;
- retention services which involve learning unit and staff affairs personnel in preventing students from dropping out; and
- research services, which summarize other enrolment management activities, and generate data to be used in the yearly adjustment of marketing, recruitment, admission and retention services.

8.15 The College does not have a documented enrolment management strategy. They do have informal guidelines to take 20 percent of applicants directly from high school and 20 percent from the college preparation program. They have an operational guideline placing limitations on the number of out of province students but it is not followed because it is considered out of date.

8.16 The College establishes program enrolment limits each year. In establishing these limits the following factors are taken into consideration: student demand, employment opportunities, space, equipment, instructors, and graduates employed in their specific field.

8.17 Vacant seats are regularly reviewed by Admissions staff and College management to determine whether additional marketing efforts are required to fill the seats, or the demand is not there and the course should be canceled. According to management, part of the reason for the increased vacancies in the current year could be attributed to an effort to avoid over booking courses. In the past courses were over booked with an expectation that a portion of students accepted would not enrol.

8.18 The College prepares an exited student list which summarizes the reasons students leave the College. This information is important to indicate why students do not complete their studies. The reasons provided can then be analyzed and a retention strategy developed to minimize exits for factors within the College's control. Of the 1,511

students who exited their programs between September 1998 and August 1999, 360 left for a reason other than graduation. Some of the more frequent reasons cited for exiting a program were: personal/family reasons 34; no longer interested 33; transfer to another program 30; medical reasons 27; not suited to student 25; program incomplete 23; lack of progress 21; voluntarily withdrew 18; and found employment 17. The remaining 132 exits are for a number of reasons such as dismissals and financial problems.

Recommendation

8.19 The College should consolidate its current enrolment information and prepare a documented Enrolment Management Plan which should be updated on a regular basis. The plan should set the desired student enrolment by program, include a recruitment management plan, require performance information on the achievement of recruitment plan objectives, and include retention strategies.

Recruitment

8.20 The recruitment program for the College primarily consists of visiting high schools throughout the Atlantic provinces between September and December according to the schedule prepared by the Atlantic Association of Registrar's and Admission Officers. This is supplemented by return visits with Island schools and contact with guidance counselors. They also attend career fairs and trade fairs supplementing these activities with advertising. A more recent recruitment activity is the presentation of information on the Holland College Internet web site.

8.21 The College has a procedure dealing with student recruitment. Its purpose is to promote Holland College programs and courses, and to ensure the information provided is accurate. The procedure requires annual site visits, promotional material for sites, follow up of information requests, and an annual report on the recruitment campaign. It also requires trade shows to be scheduled and other recruitment activities to be reported to the Registrar.

Admissions

8.22 The Admissions section of the Registrar's Office has responsibility for ensuring students meet the requirements of each program before they are accepted. The requirements can include academic requirements, as well as assessments of writing skills, criminal record checks, aptitude testing, medical assessments and first aid courses depending on the program. The Admissions staff uses the services of the Assessment section of the College to gather the necessary information.

8.23 Admission requirements are established by the program unit coordinators and learning managers in consultation with representatives of the various industries. The requirements are published in the College calendar each year. We reviewed a sample of students admitted to various programs and found they met the requirements for admission.

8.24 Enrolment is limited for College programs so for those programs with a large number of applicants they are prioritized based on assessment criteria. There were over 600 applicants waiting to get into Holland College programs in October 1999. Of these, 300 had passed the program assessment and were waiting for a seat. Over half of these were waiting to be admitted to the Paramedicine program.

Scholarships, Bursaries and Awards

8.25 The awarding of scholarships, bursaries and awards is the responsibility of the Registrar's Office. Information on awards is provided to students each year. The students can apply for as many awards as they wish. Selection Committees are established for each award and recipients are selected based on the criteria established. They have an awards night in January where the donors are given the opportunity to present the awards.

8.26 In 1998-99, the Registrar's Office awarded over $80,000 in scholarships, bursaries and awards which were funded through the Holland College Foundation Inc. We reviewed a sample of awards and found they were given to students in accordance with the criteria established for the award. These awards range from $250 - $2,500. The funds are either endowed, where a trust fund is set up and the award is paid from the annual interest, or revolving funds where the Foundation obtains the funds from the donors each year.

8.27 The College also awards entrance scholarships of $750 to graduates of Island high schools. The number of scholarships awarded per school ranges from one to five and is based on the number of students attending the school. The total cost of these scholarships is approximately $30,000 which is recorded as a reduction in tuition revenue when the student registers.

Student Information

8.28 The Registrar's Office is responsible for all official student records. According to the procedure for admissions and registration, the Registrar is responsible for admission and registration processes for full-time College programs, as well as continuing education programs. The Registrar is also responsible for closing out student files when students exit their programs. While the student is completing their program of study, their progress records are kept by their learning managers. After

completion of their program, the student's chart is forwarded to the Registrar's Office and becomes part of the students official record of achievement.

8.29 The Registrar's Office keeps track of information on the Student Information System which was developed internally in the spring of 1998 to improve workloads and efficiencies, and provide better service to clients. It was designed to be a quick and accurate way to store, retrieve, edit, and process personal client information, statistics, records and reports. This system was implemented as a temporary measure until the student information needs were thoroughly researched and the funds obtained to implement a permanent system. The temporary system was needed immediately because the previous system did not meet users' needs and was not Y2K compliant.

8.30 The previous system was reviewed by a consultant at the same time as the temporary system was being developed. The purpose of the review was to; identify and develop system requirements for a new Student Information System, examine the impacts of these changes on the existing business functions, and provide supporting documentation for the project planning and procurement process. As a result of the study, requests for proposals were received in the fall of 1998, but because of the cost estimated at about $500,000 the proposals were not acted upon. Management is currently looking at coordinating the purchase of a system with the Nova Scotia and New Brunswick Community Colleges.

8.31 Admissions staff indicated that the Enrolment Management Report produced by the current system does not indicate which year the student is applying for. Therefore, while it may appear there are plenty of applicants for the year's program, they may in fact have applied for the following year. As a result registrations may be lower than expected.

Recommendations

8.32 The temporary Student Information System should be replaced as soon as possible with an improved system that meets the student information needs of the College.

8.33 The Enrolment Management Report should be modified to indicate the year an applicant is interested in applying for.

9. FACILITIES

Introduction

9.1 The mission of facilities management as indicated in Board Policy is to provide a safe environment for work and study. Holland College occupies facilities under different arrangements including ownership and lease as well as facilities provided by the Province rent free to the College. In recent years Holland College has engaged in a process to upgrade and expand facilities around centres of excellence including the Atlantic Tourism and Hospitality Institute, Justice Institute, Aerospace and Industrial Technology Centre, and the Atlantic Welding and Fabrication Centre. With the exception of the Atlantic Tourism and Hospitality Institute, recent facility acquisitions have been by way of lease arrangements. Provincially owned properties which have been provided for Holland College's use include the former Prince of Wales College, former vocational schools in Charlottetown and Summerside, St. Eleanor's School and the Marine Centre in Summerside. Additional leased facilities are located in communities across the Province. In 1998-99, facility operating costs totaled just over $4 million.

9.2 There are three facility administrators assigned responsibility for Charlottetown Centre East, Summerside Centre West, and Royalty Centre. These administrators report to the Director of Human and Corporate Services. Approximately 26 full-time and 13 part-time workers including students are employed in providing facility cleaning and maintenance services in College facilities. Cleaning services at Montague Centre and cleaning and security services at Atlantic Tourism and Hospitality Institute are contracted out.

9.3 We reviewed management practices for operations related to facilities. Our review included planning activities, management information available for each major facility, and acquisition and leasing arrangements. We interviewed the Director of Human and Corporate Services and each of the facility administrators, reviewed engineering reports, capital budgets, space usage information, and analyzed facility costs.

9.4 Exhibit 9.1 shows a summary of facilities payments made during the year ended March 31, 1999.

EXHIBIT 9.1
FACILITY PAYMENTS
1998-99

Facility	Sq. Feet	Lease Costs	Other Costs	Total
Province				
- Ch'town Centre	115,000	$ -	$ 903,714	$ 903,714
- 225 & 285 Kent	5,700	-	-	-
- Montgomery Hall	46,000	-	163,370	163,370
- Royalty Centre	130,000	-	474,415	474,415
- S'side Centre	85,000	-	509,260	509,260
- Marine Centre	23,000	-	86,824	86,824
- St. Eleanor's	15,000	-	8,682	8,682
ATHI	81,248	-	313,234	313,234
Harbourside Centre	45,000	373,308	125,535	498,843
Aviation Centre	53,766	107,187	20,465	127,652
Justice Institute	86,994	465,158	162,525	627,683
Atlantic Welding Fabrication	21,500	37,588	34,428	72,016
Dalton Centre	4,992	39,936	172	40,108
Westisle School	4,020	11,914	-	11,914
Ellerslie Centre	9,000	10,000	22,773	32,773
Souris Centre	4,730	49,774	21,394	71,168
Montague Centre	5,300	47,700	6,531	54,231
Other	-	21,512	87,355	108,867
Totals	736,250	$1,164,077	$2,940,677	$4,104,754

Planning

9.5 Reorganization of the management structure at Holland College in 1996 eliminated the position of Facilities Manager and brought facilities within the responsibility areas assigned to the Director of Human and Corporate Services. In addition to facilities, the Director of Human and Corporate Services is responsible for finance, admissions, and human resources. The Director has indicated that much of his time is devoted to the finance area and to a large extent reliance has been placed on the Centre Administrators and an administrative assistant to perform facilities functions. Planning tends to be short-term on a site by site basis and is not coordinated into an overall facilities management plan for the College. Budgets are established and work is performed on a facility by facility basis.

9.6 Engineering studies on Charlottetown Centre, Summerside Centre, and Royalty Centre were performed in 1992 and identified potential repairs exceeding $13 million of which $6 million related to the Royalty Centre. The studies identified serious problems in the building envelope of Royalty Centre and suggested that the extent of renovations would likely make it necessary to implement national building code standards. Renovations to Charlottetown Centre costing $2.5 million were carried out in 1995-96, and renovations costing $800,000 were incurred at Summerside Centre in 1997-98. There has been no documented analysis of the extent to which repairs recommended in the engineering reports have been completed. Other maintenance that is likely to be required over the longer term has also not been identified. Holland College management have indicated that due to the serious repair requirements of Royalty Centre they are attempting to move programs out of this facility. As a result, a strategy of minimal repair has been followed.

9.7 Our discussions with management indicate that spaces allocated to programs represent a more or less permanent assignment of space and there is little review of utilization of space by programs or analysis of the potential for space sharing between programs.

Recommendations

9.8 Holland College should develop a plan of action to deal with the issues raised in the engineering studies as well as other repair and replacement needs. Periodic reports showing repairs completed compared to planned repairs should be presented to management.

9.9 The College should review the current utilization of space by program and prepare a space utilization plan.

Harbourside Centre

9.10 Under an agreement dated July 1, 1986 Holland College agreed to lease the Smallman Building in Summerside for a period of 20 years and four months from the Charlottetown Area Development Corporation (CADC). This site was then referred to as Harbourside Centre. The agreement provides for the purchase of the building by Holland College at the end of the lease, October 31, 2006 for a cost of $1. Holland College's lease payments of $30,350 per month ($364,200 per year) were established to discharge CADC's mortgage on the building over the term of the lease. In addition, an administration fee of $9,108 per year is payable to CADC. At the initiation of the lease the balance of the mortgage was $2,950,000. The lease payments and term imply an interest rate of just over 11 percent on the mortgage. Purchase options

provide for Holland College to purchase the building at any time at a price equal to the outstanding balance of CADC's mortgage loan. We estimate that the CADC mortgage would have approximately $1.6 million outstanding at Sept 1, 1999.

9.11 Under an agreement dated September 1, 1995 Holland College subleased a portion of the Harbourside Centre for a five-year term at an annual rental amount of $63,130 with provision for adjustments for property tax and insurance increases. The agreement provides for the sub-lessee to renew the lease to October 31, 2006 and provides further renewal options to the sub-lessee for periods extending to 2016. The agreement provides a purchase option at October 31, 2006 if Holland College plans to sell the property. The purchase option is based on the lesser of the average of three appraisals and the middle appraisal. The agreement also provides for deduction of rents and leasehold improvements paid by the sub-lessee from the appraisal value.

9.12 During 1997 Holland College began moving the programs housed at Harbourside Centre to Summerside Centre and by the end of 1998 fiscal year all of the programs housed at the Harbourside Centre had been relocated to Summerside Centre. Lease payments and operating costs relating to Harbourside Centre totaled $498,843 in 1998-99. Holland College reported offsetting lease revenue of $66,069. Funding for the College included a provision of $470,280 which we were advised relates to funding of lease payments and other costs of Harbourside Centre. Harbourside Centre costs represent a usage of post secondary education resources for a facility that is not used for College programs. Assuming continuation of the current situation, Harbourside Centre will consume over $3 million in educational resources to the end of the lease at October 31, 2006.

9.13 Holland College has directed little effort toward examining how costs of Harbourside Centre might be reduced. For example, although interest rates have declined considerably since the lease between Holland College and CADC was signed in 1986, there has been no investigation of refinancing possibilities. Even at this late date, an interest rate reduction of 2 percent could result in savings over the term of the lease of over $150,000. It is also important that Holland College invest efforts in determining disposal possibilities. To date, Holland College has not obtained appraisals of the property, no advice has been obtained from legal council regarding potential complications arising from the sublease arrangement and no discussions have been held with the sub-lessee to determine whether they have a current interest in purchasing the facility. During the course of our audit, Holland College

management indicated that they had entered into discussions with Provincial Government officials regarding this facility but as yet we have no information indicating that a clear course of action has been established.

Recommendation

9.14 Holland College should give immediate attention to possible options for disposal of Harbourside Centre. In the absence of immediate disposal possibilities, the potential for refinancing at lower interest costs should be investigated and the College should consider measures to minimize the net operating losses of this site including obtaining additional tenants for vacant space.

Management and Cost Information

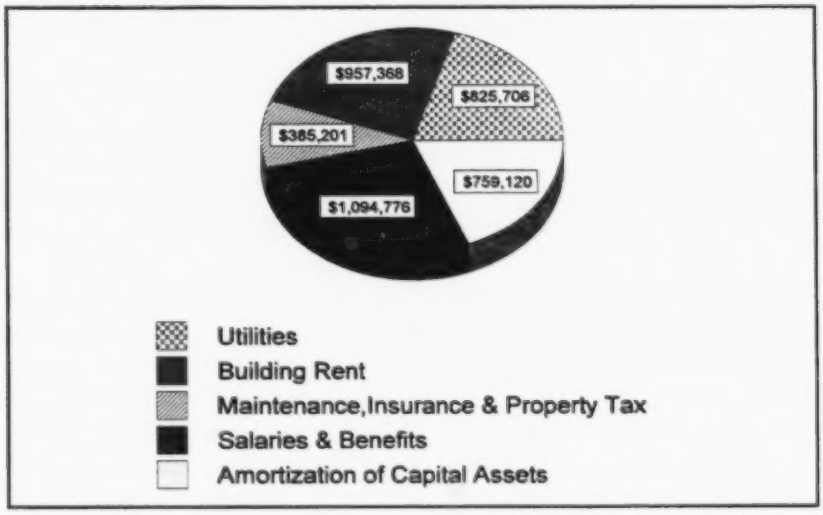
9.15 The financial information system accumulates costs by course numbers and object codes. This allows costs to be grouped by cost type and by cost centre. For most facilities, related costs such as heat, electricity, lease costs, salary, and so on are recorded separately. Information may then be extracted by expenditure type and facility.

9.16 These related costs are not recorded separately at the Aerospace and Industrial Technology Centre, the Justice Institute, and Atlantic Tourism and Hospitality Institute. For these centres, some of the costs such as heat, electricity and rent may be identified but it is difficult to determine salary, travel, and supplies costs that pertain to facility operations. This makes it difficult to prepare a complete summary of facility costs for management and decision making purposes. In our view it would be beneficial to maintain a consistent approach in recording costs for all the facilities.

9.17 The Oracle Financial System includes an inquiry function but there has been limited implementation of this function to provide staff with up to date information. Centre Administrators receive reports generated from the Oracle system but they have indicated that by the time reports are received information is not current. As a result, additional manual records are maintained for the purposes of monitoring expenditures and budgets.

9.18 Our analysis of costs indicated 1998-99 facility operating costs totaled just over $4 million. Exhibit 9.2 provides a breakdown of amounts included in the above costs.

EXHIBIT 9.2
HOLLAND COLLEGE FACILITY COSTS
1998-99



9.19 We performed an analysis of operating costs per square foot by facility and compared per square foot costs between facilities. Holland College provides business and adult education programs through leased facilities in Montague, Souris and Tignish. Total operating costs for Montague and Souris are high at $10.23 and $15.05 per square foot respectively. These costs include lease costs of $9.00 and $9.17 per square foot including heat and electricity. Further analysis indicates that average annual lease costs across other facilities amounted to $5.32 per square foot.

Recommendations

9.20 All facilities should be assigned cost codes and summary financial reports for each facility should be prepared for management on a timely basis.

9.21 Holland College should extend implementation of on-line inquiry functions on the financial information system to provide up to date budget and expenditure information to management and eliminate the additional manual records now in use.

9.22 Holland College should seek more economical lease rates in Montague and Souris.

Maintenance, Cleaning and Security

9.23 Maintenance staff are responsible for operating heating, ventilation and air conditioning systems, maintaining mechanical equipment, shipping, receiving, mail delivery, and building maintenance and repair. In general, most larger maintenance jobs such as painting, flooring and roofing are contracted out. Maintenance staff provide a variety of support services for program staff including moving furniture, and carpentry jobs such as shelving, and construction of tables. Program staff request services through completion of a Request for Services Form. Centre administrators schedule work and assign jobs to maintenance staff. There is no attempt to cost individual jobs and compare to external supplier costs so it is difficult to assess whether jobs performed represent an economical use of maintenance resources.

Insurance/Risk Control

9.24 We noted a number of short term rentals recorded under various program accounts. Discussion with facilities staff indicate that these rents would have been arranged through the individual programs and not through the Facilities Section. This practice raises concerns as to whether risks are adequately identified, whether the College's insurance coverages address the potential risks or whether additional coverages are acquired to adequately cover risks. Rental of facilities by programs without consultation with the Facilities Section also leads to the possibility that facilities could be rented when needs could be met within existing facilities.

9.25 The Sports Centre building at the Justice Institute is provided by the College to a third party for use in sports programs. There is no formal agreement covering the arrangement. It is our understanding that the use of the facility is provided in exchange for training services provided to Justice Institute programs. The absence of a formal agreement with appropriate insurance and indemnification provisions results in a higher risk exposure for Holland College.

Recommendations

9.26 All facilities rentals should be arranged through the Facilities Section and documented in rental agreements.

9.27 Arrangements for third party use of facilities of the Justice Institute should be formalized in an agreement detailing facilities use and service provisions of each party and including adequate insurance and indemnification provisions.

10. INFORMATION TECHNOLOGY

Introduction

10.1 Information technology at Holland College is used for both administration and training needs. The Computer Services Department supports all the non-administrative computing needs. Support for the administrative needs is provided by staff of other departments of Holland College. The Finance Officer provides support for the Financial Information System and the Web Developer provides support for the Student Information System.

10.2 The Computer Services Department currently consists of a Manager, nine Computer Support Technicians, and one Help Desk Clerk, and provides support to 15 sites throughout the Province. The Help Desk provides first level support for the Department, and channels the work orders to appropriate Computer Services staff.

10.3 The model for computing at the College is workstation (PC) based client/server. At the time of our audit there were approximately 1,100 workstations at the College. The following software is provided on most workstations throughout the College: Microsoft Windows, Novell network client, Corel WordPerfect suite, Group Wise groupware suite, Network Associates VirusScan, and Netscape Communicator. The one exception is the use of Macintosh computers in the Media and Communications unit programs.

10.4 The main administration systems are the Finance and Student Information Systems. The Finance System is a semi-customized version of Oracle Financials which includes General Ledger, Accounts Payable, Accounts Receivable, and Purchasing modules. The Student Information System is an in-house developed custom application which includes Recruitment, Admissions, Registration, and Student Records functions. Other systems or applications include Payroll, Foundation, Educational, Library, Webct, Internet, Nameserver, and Web Servers.

10.5 The purpose of our review of Computer services was to assess the management practices, procedures, and controls in place for computer services including the following:

- planning the information technology environment;
- developing and delivering information technology solutions;
- operating the information technology environment.

10.6 Our audit approach followed an information gathering and evaluation methodology. Our review included a comprehensive interview process with key Computer Services personnel, as well as with management from Finance, Human Resources, and the Knowledge Management Unit of the College.

Planning the Information Technology Environment

10.7 A formal long-term information technology strategy has not been developed. Information technology (IT) initiatives are formulated in accordance with the overall strategic direction of the College. At present, it appears that funding issues have been restricting the Computer Services Department from expanding its delivery of services. The current IT budget allows for only minimal capital purchases, on-going maintenance and the costs for communication lines.

Recommendation

10.8 The College should document a formal long term IT strategy, with appropriate approval at the management level.

Developing and Delivering Information Technology Solutions

10.9 The in-house development activities at Holland College have historically been kept to a minimum. The approach has been to purchase off-the-shelf software packages whenever possible. In addition, the Computer Services Department does not have the resources or skills to undertake a significant in-house development project. This is the reason why the Finance Department undertook the two most recent development projects which were the Finance System and the Student Information System.

10.10 We reviewed the interim replacement of the old Student Information System (SIS) which has existed since 1983. We obtained information through discussions with the following:

- Executive Director Human and Corporate Services;
- Chief Financial Officer;
- Financial Officer;
- Web Developer (project developer); and
- Manager of Computer Services.

10.11 The SIS interim solution project is the responsibility of the Executive Director of Human and Corporate Services. Project scope and objectives, as defined by the College, are detailed in the Student Information System Requirements Study dated March 18, 1998, and in the Internal Project Outline report which was written by the project developer. The overall objective was to enable the College to manage

information related to students until such time as the system outlined in the Student Information System Requirements Project could be acquired.

10.12 A feasibility analysis was performed on behalf of the College by a computer developer and supplier. This analysis covered areas such as automation, work functions, staff requirements, and service quality. The analysis reflected the need for a replacement application as soon as possible because the old system was not Y2K compliant and had problems almost on a daily basis.

10.13 As part of feasibility study the computer developer and supplier interviewed end-users on a one-on-one basis within the Registrar's office. In addition, group interviews were held with users outside of the Registrar's Office that provide input to, or require information from the Student Information System. A review of the list of interviewees revealed all major college departments were involved in the process for determining the design of the new system. Administration management also reviewed the options from a cost perspective.

10.14 In addition, the end-users were consulted during development of the interim solution. After each phase of the project was completed, selected users were consulted to review the functionality of the application.

10.15 Project plans are documented in the Initial Project Outline report prepared by the project developer. The project was divided into ten phases, with a description of each phase and time lines for completion. Also included are flowcharts which detail the steps involved in the registration process, recruitment process and admissions process. The report also provides cost estimates for salaries, software purchases, office supplies, resource materials, and College overhead.

10.16 Any requested changes to the project were reviewed by the Registrar and the project developer. The decision to approve or reject the change was based on time/resource constraints, as well as the severity of change to the design. However, changes were not approved in writing by the Executive Director of Human and Corporate Services.

Recommendation

10.17 Changes to the design of any application, either existing or under development, should be formally documented and include approval from senior management.

10.18 Discussions with the project developer revealed security and internal control requirements were considered during the design phase of this project. An Access to Student Records document was supplied by the Registrar's Office. This document details the internal user relationships as well as relationships to other departments such as Planning and Development, Finance, and Human Resources. Access and internal controls were designed using these relationships.

10.19 According to the project developer approaches were developed and executed although they were not formally documented. These tests were designed to compare the functionality and reporting of the interim solution to the old application. End-users from all relevant departments were requested to perform all of the tasks required in their daily responsibilities, thus simulating a real-life scenario. This approach was taken to ensure all functions were tested, as the project developer did not have exposure to all of the various departments and their relevant processes. In addition, testing was performed on the Recruitment function, which was not available in the old application.

Recommendation

10.20 Test plans should be formally documented and implemented for all development projects in the future.

10.21 User acceptance testing has been performed on this project by requesting all users to perform all of their daily processing functions on a test system. Users then compared the functionality and reports of the test system to those generated by the old system. Users were queried at each step for their opinion and concerns.

10.22 After all testing was completed, verbal acceptance was requested from all users. No major complaints or concerns were reportedly expressed at that time.

Recommendation

10.23 Formal sign off rather than verbal acceptance should be obtained from all end-users at completion of user acceptance testing.

10.24 After user acceptance testing was complete and verbal sign off was obtained, the application was transferred to the live environment by the project developer. This process was basically ad-hoc, and did not follow any formalized procedures for transfer.

Recommendation

10.25 Formal procedures for transferring programs into the production environment should be developed and implemented.

10.26 A formal post implementation review was not performed for this project. Feedback has been received from end-users on an ongoing basis since implementation, but there has been no review from outside of the development function for this application.

Recommendation

10.27 Formal post-implementation reviews should be performed on all future in-house development projects.

10.28 Discussions with the developer of this application revealed only the initial draft documentation is currently available for this system. This documentation has reportedly not been updated since the implementation in June, 1998. Users have not even received the initial draft documentation to date. This situation could lead to serious problems, as there is currently no formal backup resource at the College for this application. Plans are in place for a current staff resource to update the documentation when time permits.

Recommendation

10.29 Documentation for the SIS interim solution project should be completed to ensure end-users and technical support staff have adequate information to use and maintain the application.

10.30 Although consideration was given to the scheduling of data file/application backup, there is currently no formal documentation with respect to disaster recovery and continuity of operations for this application. Again, this could lead to significant problems in the event the support person is not available to administer the application.

Recommendation

10.31 Disaster Recovery planning should be developed for the SIS interim solution project and included in an IT Disaster Recovery Plan.

Operating the Information Technology Environment

10.32 Computer Services provides formal end-user training when new core applications such as GroupWise and WordPerfect are implemented, or existing applications are upgraded. However, enrolment in these training seminars is currently on a voluntary basis. There are also a number of "how to" procedures, such as how to obtain a user ID and log in to the College WAN, documented in various areas.

10.33 Training in the applications that are considered non-core is reportedly performed by the department that implemented the application. Discussions with the current IT Manager revealed a need for more formal core application competency training, as this would reduce the number of calls currently handled by the Help Desk by about ten per cent.

10.34 Computer Services operates a Help Desk to provide assistance to end-users and resolve IT problems for all resources excluding administrative systems. Assistance for the Student Information System and the Financial System is provided by the project developer and the Finance Officer, respectively, and is available during normal business hours. The Help Desk, which handles about 30 calls a day, operates five days per week.

Recommendation

10.35 The College should review the current training policies to ensure a minimum level of competency is established in the core applications. As well as assuring efficiency in these applications the number of calls to the Help Desk would probably decrease, allowing Computer Service Technicians to concentrate on more critical issues.

10.36 The first level of support at the help desk is through a support technician. This person provides support primarily on "how to" requests for all core applications, infrastructure, and hardware. For all other requests such as network and hardware problems a work order is created. Work orders are categorized, prioritized, and assigned to appropriate Computer Service Technicians. LBE Helpdesk software is utilized to record, assign, and track the work order through to problem resolution. The IT Manager reviews the status of all work orders on a daily basis, ensuring timely resolution of IT problems.

10.37 All support staff, with the exception of the Macintosh support person, have gone through the Business Information Technology program at Holland College. They have also received training in

NetWare from a Certified Novell Instructor on staff, and thus have the necessary skills to maintain the Novell network. In addition, the current IT Manager is a Certified Novell Engineer. There are currently two technicians that maintain the Windows NT and UNIX servers, however, we were informed that they are not able to perform all required maintenance activities on the servers.

Recommendation

10.38 Computer Services should obtain appropriate training for the individuals maintaining the Windows NT and UNIX servers to ensure these servers are adequately maintained.

10.39 Although there are plans in place for the backup of all application data files and operating systems, as well as informal plans for recovering portions of the systems, there is currently no formally documented Disaster Recovery Plan. In addition, although some systems have been recovered successfully in the past, a realistic test of disaster recovery has not been carried out or documented. The frequency of data and systems backups was found to be adequate at the sites reviewed. The location of backup tapes for the administrative systems is offsite in a safety deposit box, while tapes for non-administrative systems are kept offsite in various secure locations.

Recommendation

10.40 Computer Services should develop and document an IT Disaster Recovery Plan as soon as possible. The plan should also be tested on a regular basis to ensure procedures will work and are current.

10.41 Computer Services staff check server utilization, cache performance, and disk space on a regular, almost daily basis. Low disk space thresholds have been set on NetWare and NT servers, and alarms sound when the space is below the threshold. At present, most servers reportedly have sufficient capacity to fulfil requirements, with the exception of the mail servers.

10.42 The recent upgrade of the GroupWise software has produced performance problems on the mail servers. Discussions with the IT Manager revealed this is primarily due to insufficient random access memory (RAM). Additional RAM has been on order since June 1999, but had not been received at the time of our review.

Recommendation

10.43 Computer Services should obtain and install the required additional RAM as soon as possible, in order to avoid further performance problems on the mail servers.

10.44 We bought a number of security issues to the attention of the Manager of Computer Services. Some of these issues included the following: access controls, firewall architecture, user access, staff or student terminations, security awareness training, IT security policies, event logging and security violation investigations, intruder lockout features, fire suppression devices, creating and maintaining user IDs, passwords, and naming standards. These issues along with appropriate recommendations were discussed with and agreed to by the Manager of Computer Services.

11. LIBRARY SERVICES AND BOOKSTORE OPERATIONS

Library Services

11.1 The Library Services Unit manages resource material collections and provides other information support services to programs and administration through resource centres at the Charlottetown Centre, Royalty Centre, Summerside Centre and the Aerospace and Technology Centre. The Atlantic Tourism and Hospitality Institute and Justice Institute operate resource centres independent of the Holland College Library Services Unit.

11.2 The total expenditures for the resource centres including salaries and materials were approximately $600,000 for the year-end March 31,1999.

11.3 A strategic plan for library services was prepared in December 1997 and a further planning report entitled "Building a Knowledge Management Network: Integrated Library Services for Holland College" was submitted to management in March 1999. The Strategic Plan document reviews the role of library services, examines the learning environment and anticipated change, includes a mission statement, and identifies goals for library services. The second report examines and provides recommendations to management covering the areas of technology issues, human resources, administration, type and range of library services, and facilities. At the time of our audit these reports were still under consideration by management.

11.4 Holland College programs are supported by collections of course related resource materials housed in proximity to the courses to which they relate. For larger centres, the resource centres hold materials and control circulation through appropriate library procedures. For smaller centres, programs have responsibility for custody of their own resource materials. Space limitations in the Charlottetown Resource Centre has also resulted in resource materials for some programs being placed under program control.

11.5 The Library Services Unit provides cataloguing services to programs served by the resource centres as well as programs in the smaller centres. Because programs are offered at various locations, some of which have low student and collection volumes, the development of more formal library procedures has been difficult.

11.6 Ordering of resource materials occurs through programs and other cost centres while purchasing is carried out through the College's Bookstore operations. We noted inconsistency in the extent to which resource materials are catalogued upon receipt. We were told that in some cases resource materials are delivered directly to program personnel. This may result in unrecorded and uncontrolled materials even in facilities where resource centres are located.

Recommendation

11.7 Holland College should develop a process for the receipt and reporting of resource materials that meets the needs of programs and ensures that resource materials are catalogued and controlled.

Bookstore Operations

11.8 The College operates a Bookstore with separate locations in the Charlottetown, Royalty and Summerside Centres. Exhibit 11.1 indicates the volume of sales activity by location for 1998-99 and the operating costs.

EXHIBIT 11.1
BOOKSTORE OPERATIONS 1998-99

	Ch'town	Royalty	S'side	Total
Revenues:				
Textbooks	$404,000	$124,000	$56,000	$584,000
Clothing	16,000	2,000	28,000	46,000
Office & Other	93,000	8,000	14,000	115,000
	$513,000	$134,000	$98,000	$745,000
Expenses:				
Cost of goods sold				575,000
Wages & other operating				97,000
				$672,000
Profit				$ 73,000

11.9 There are no formally approved procedures for the Bookstore operations. During the past few years Bookstore responsibilities and procedures have changed in response to complaints from other areas of the College. For example, office supplies were provided to other sections of the College at a mark-up, however, this was discontinued because of complaints indicating prices were higher than could be obtained in retail stores.

11.10 We discussed with staff the procedures for mark-ups of textbooks, clothing and office supplies. We found that items are marked up on an individual basis considering several factors but without an overall annual objective in terms of gross margins or inventory turnover. The manager indicated they report monthly on sales volumes but do not receive reports of expenditures. In fact, the revenue and expense reports from the financial information system are not received by the Bookstore manager.

Recommendations

11.11 The informal operating procedures of the Bookstore should be formally documented and approved by management.

11.12 The financial results of the Bookstore operations should be reported to the Bookstore manager and monitored against budget on a timely basis.